E. C. No. 781

ESTIMATES COMMITTEE (1973-74)

(FIFTH LOK SABHA)

SIXTY-FIRST REPORT

MINISTRY OF COMMERCE

(DEPARTMENT OF INTERNAL TRADE)

CIVIL SUPPLIES ORGANISATION

LOK SABHA SECRETARIAT
NEW DELHI

April, 1974/Chaitra, 1896 (Saka)

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TO
THE SIXTY-FIRST REPORT OF ESTIMATES COMMITTEE (FIFTH LOK SABHA) ON THE MINISTRY OF COMMERCE (DEPARTMENT OF INTERNAL TRADE) - CIVIL SUPPLIES ORGANISATION.

Page	Para	Line	Correction
2	Heading above Para 1.3.		For 'Instructions' read 'Instruments'.
7	Heading above Para 2.3		For 'Foodgains' read 'Foodgrains'.
24	2.34	19	For 'dificit' read 'deficit'
26	2.38	8	For 'published' read 'publicised'.
31	2.50	7	For 'scarce' read 'scare'
34	2.57	19	For 'reduc' read 'reduce'.
39	2.72	3	For 'Central (Pool" read '(Central Pool'
46	2.85	16	For 'th' read 'the'
47	2.87	1	For 'Prime' read 'prime'
49	3.4	8	For 'facilitats' read 'facilitate'
	3.20	8	For 'fluctuaions' read 'fluctuations'
57	3.26	?	For 'that' read 'than'
68	3.52		[illegible]-68' read '1967-68'
72	3.57	7	For 'rein' read 'remain'
	3.59	3	For 'th' read 'they'
83	4.22	2 from bottom	For 'approtion' read 'apportion'
86	4.28	6	After 'in view of the' add 'fact that the'
87	4.28	18	For 'for' read 'of'
93	4.45	2	For 'ails' read oils'
94	4.48	last line	Omit 'be'
104	5.10	5	For 'priduction' read 'production'
108	5.19	12	For 'turnoover' read 'turnover'
116	5.34	20	For 'lso' read 'also'
116	5.35	2	For 'quality' read 'quality'
133	6.23	3	For 'and' read 'are'
136	6.31	last line	After 'meet ' add 'the'

P.T.O.

Page	Para	Line	Correction
139	6.41	3	For 'the present' read 'prevent'
140	6.44	5	After 'since' add 'no'
		6	For '1958' read '1968'
141	6.45	3	For 'actully' read 'actually'
160	8.1	3 from below	For 'aain' read 'again'
			For 'Oranisation' read 'Organisatio
171	8.20	1	For 'constent' read 'constant'
		11	For 'wich' read 'which'
173	8.27	7	For 'effect' read 'effective'
181	S.No. 3	2	For 'availahility' read 'availability'
182		9	Add at the beginning 'reliable'
183	S.No.4	8	For 'Preduction' read 'Production'
		5 from below	For 'hereby' read 'thereby'
185	S.No.10	5	For 'necesary' read 'necessary'
186	S.No.11	9	For 'scarce' read 'scare'
189	S.No.17	3	For 'various' read 'varies'
191	S.No.20	3-2 from below	For 'waking' read 'making'
203	S.No. 47	4	For 'drugs' read 'drug'
	S.No. 48	1	After 'that' add 'while'
206	S.No.55	2	For 'sould' read 'should'
	S.No.57	6	For 'retrn' read 'return'
		7	For 'papeprs' read 'papers'
210	S.No.66	4	For 'present' read 'prevent'
215	S.No.76	3	For 'behind' read 'beyond'
216	S.No.79	4	For 'lapms' read 'lamps'

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ESTIMATES COMMITTEE

(1973-74)

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Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri G. D. Sharma—*Deputy Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Sixty-First Report on the Ministry of Commerce (Department of Internal Trade)—Civil Supplies Organisation.

2. The Committee took evidence of the representatives of the Ministries of Commerce (Departments of Internal Trade and Foreign Trade), Agriculture (Departments of Food and Agriculture), Petroleum and Chemicals, Steel and Mines (Department of Mines), Industrial Development and Finance (Department of Expenditure) on the 31st January and 1st and 2nd February, 1974. The Committee wish to express their thanks to the officers of these Ministries for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Committee also wish to express their thanks to Shri M. S. Parthasarathy and Shri J. M. L. Tambi, President and Vice-President respectively of the Federation of Associations of Small Industries of India, New Delhi, Lala Charat Ram, Shri K. N. Modi and Shri G. L. Bansal, President, Vice-President and Secretary General respectively of the Federation of Indian Chambers of Commerce and Industry, New Delhi for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all the Associations and Bodies of Trade and Industry and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on the 16th April, 1974.

6. A summary of recommendations/conclusions contained in the Report is appended to the Report (Appendix II).

7. A Statement showing the analysis of recommendations/conclusions contained in the Report is also appended to the Report (Appendix III).

NEW DELHI;
April 26, 1974.
Vaisakha 6, 1896 (S).

R. K. SINHA,
Chairman,
Estimates Committee.

CHAPTER I

INTRODUCTORY

1.1. The Civil Supplies Organisation of the Central Government and the State Governments are entrusted with the task of keeping a watch over the availability and distribution position in respect of essential commodities of mass-consumption and initiating corrective action wherever imbalances in supply and demand of consumer goods develop with consequent effect on prices, through the appropriate agencies. Despite the existence of these organisations and the professed concern shown all round for taking effective steps to meet the shortages of essential commodities on a long term as well as short term basis, intermittent stortages of one essential commodity or the other in the market have now become a common feature, causing considerable distress to the common man. The sharp rise in price inflation, caused partly by shortages itself and partly by other factors, has accentuated the hardships experienced by people, specially the weaker sections of society, involving severe strain on the money and time at their disposal for meeting their primary needs.

1.2. The shortage of a commodity may be of a local, zonal or general character. While the local or zonal shortages of a commodity could be due to a failure of the distribution system for a variety of reasons including hoarding by traders, producers as well as affluent sections among the consumers, the cause for a general shortage could be, apart from maldistribution and hoarding, inadequate overall availability of the commodity *vis-a-vis* the total demand. The source of availability of a commodity is indigenous production and, if the indigenous production is insufficient, imports to bridge the gap between the demand and production. The examination of the estimates relating to the Civil Supplies Organisation would, therefore, not be complete without examining the availability—indigenous production as well as imports—and distribution position in respect of such of the essential commodities as cater to the basic needs of the common man and of which shortages have been accurring from time to time, such as foodgrains, sugar, edible oils, and vanaspati, textiles, kerosene, drugs, paper, etc. The studies of the Committee in respect of these commodities and their conclusions are contained in the subsequent Chapter.

Instructions of Control and Regulation of Supplies and Distribution

1.3. The statutory instruments of control available to the Central Government and the State Governments for regulating supplies, distribution and pricing of commodities are the Essential Commodities Act, 1955, the Defence of India Rules 1971 and the Maintenance of Internal Security Act, 1971.

1.4. Section 2 of the Essential Commodities Act, 1955 specifies certain classes of commodities which are to be regarded as "essential commodities" for the purposes of the Act. Broadly, these are cattle fodder, coal, automobile components, textiles, foodstuffs, iron and steel, paper, petroleum, raw cotton and raw jute. Besides, the section authorises the Central Government to declare as "essential commodity" for the purposes of the Act any other class of commodity if Parliament has power to make laws with respect of such commodity by virtue of entry 33 in List III in the Seventh Schedule to the Constitution. Exercising the power available to them under this section, Central Government have been declaring commodities as "essential commodities" by notifications issued from time to time. The declaration of commodities as "essential" under the Act is being done on a centralised basis by the Civil Supplies Organisation of the Ministry of Commerce. A complete list of commodities declared as "essential commodities" by or under the Act, comprising of as many as 60 items, is at Appendix I.

1.5. For maintaining or increasing supplies of any essential commodity or for securing their equitable distribution and availability at fair prices or for securing any essential commodity for defence purposes, Section 3 of the Essential Commodities Act empowers the Central Government to regulate or prohibit, by an order, the production, supply or distribution in respect of any of the "essential commodities" as also trade and commerce therein. It also lays down that any such order might provide for controlling the price of the commodity and for requiring any stockist thereof to sell the same to the Central Government or a State Government or any specified agency. The Act also provides for conferring powers and imposing duties on State Governments in relation to an order issued by the Central Government under section 3. The powers under Section 3 of the Act are being exercised at the Central level by the administrative Ministries concerned with the commodities. The Ministries which have issued notifications and orders under this power are the Ministry of Agriculture in respect of matters relating to foodgrains and its products and sugar, Ministry of

Petroleum and Chemicals in respect of petroleum products and drugs and the Ministry of Commerce (Department of Foreign Trade) in respect of cotton and cotton textiles.

1.6. The penalties provided for in Section 7 of the Act for contravention of the orders issued under Section 3 thereof are confiscation, at the discretion of the collector of the district, of seized goods (except in the case of foodgrains and edible oil seeds where the offender is the producer), forfeiture, at the discretion of the court, of the associated property, packages, etc. and the conveyance used for carrying the commodity, maximum imprisonment for one or five years depending upon the offence (discretionary with the court in the case of first offence) and fine. Provision also exists in the Act empowering the Central Government to issue notification for summary trial of contraventions of any order made under section 3 subject to certain specified conditions.

1.7. Section 5 of the Act provides for delegation of powers to the State Governments to make orders or issue notifications under Section 3. In pursuance of this provision, the Central Government have delegated powers to the State Governments subject to conditions specified in the delegation orders, under notifications issued by the Ministry of Commerce on the 18th June and 30th July, 1966 and the Ministry of Agriculture (Department of Food) on the 20th June, 1972. In exercise of the delegated powers, the State Governments have been issuing notifications regulating the supply, movement, distribution, pricing and other incidental matters relating to various essential commodities.

1.8. Section 3 of the Internal Security Act, 1971 empowers the Central Government or the State Government to detain any person with a view to preventing him from acting in any manner prejudicial to the maintenance of supplies and services essential to the Community. Rule 114 of the Defence of India Rules, 1971 also empowers the Central Government and State Governments to regulate or prohibit the production, manufacture, supply and distribution, use and consumption of articles or things and trade and commerce therein or to prevent any corrupt practices or abuse of authority in respect of any such matter.

1.9. In a written note furnished to the Committee in June, 1973, Government had stated that although the existing provisions of the Essential Commodities Act are sufficient, yet in the present context of scarcity conditions, they proposed to amend Essential Commodities Act to make the provisions more stringent particularly in the context of the recommendation made in the 47th Report of the Law Commission. The Commission had made the following recommen-

dation for amendments to the Essential Commodities Act, which were then stated to be under examination by Government:

(i) The maximum term of imprisonment should be increased from five to seven years;

(ii) the offences punishable under this Act shall be made non-bailable;

(iii) a new Section—Section IOB should be inserted to provide for the public condemnation of Corporations convicted for offences under the Act;

(iv) *Mens rea* should not be totally eliminated but should be presumed, it being open to the accused to disprove it.

Besides, Section 7(1) of the Essential Commodities Act, as at present, provides that in the case of first offence if the Court is of the opinion that sentence of fine only will meet the ends of justice, it may, for reasons to be recorded, refrain from imposing a sentence of imprisonment; in the case of second and subsequent offences, the Court shall impose a sentence of imprisonment and such imprisonment shall not be less than one month. It was proposed by the Ministries of Agriculture (Department of Food) and Steel and Mines (Department of Steel) that a minimum term of imprisonment, at least one month, should be made obligatory in the case of first offences also, except when the offence was merely technical where a fine alone might be imposed. In the case of second offence, it was proposed that the minimum imprisonment should not be less than 3 months R.I. It was also proposed that forfeiture of property and suspension of business as provided in sub sections 7(1)(b) and 7(3) should be mandatory in the case of first offences. These proposals were also then stated to be under consideration of Government. In addition, the State Governments of Tamil Nadu and Manipur have also, it is stated, proposed certain amendments to Section 6A of the Act.

1.10. In a subsequent written note furnished to the Committee in February, 1974, Ministry of Commerce have stated that the proposals made by the Law Commission and the Ministries of Agriculture and Steel and Mines were circulated to the State Governments, Union Ministries, etc. for their comments and that replies from most of the Ministries/State Governments had been received and these were "being processed". It is further stated that the Ministry of Law had advised that all the proposed amendments might be combined together, rather than having a piecemeal amendment of the Act. Therefore the amending legislation would be introduced after examination of all the amendments proposed by different authorities.

1.11. The Committee regret that the various proposals for amendments to the Essential Commodities Act, made with a view to make the statute a fool proof deterrent for unscrupulous elements, are being examined by Government in a leisurely manner. This is evident from the fact that between June, 1973 and February, 1974 when information on the subject was made available to the Committee, none of the proposals had taken a concrete and final shape. In the context of large scale unfair trade practices and patent as well as latent violation of various regulatory orders issued under the Act, the Committee need hardly underline the importance of bringing before Parliament without delay, a comprehensive amending legislation to overcome the difficulties being experienced in the administration of the Essential Commodities Act.

CHAPTER II

FOODGRAINS

(a) Availability

Availability etc. of Foodgrains

2.1. The term "foodgrains" cover Rice, Wheat, Jowar, Bajra, Maize, Small Millets, Ragi, Barley, Gram and Pulses. The following figures have been furnished to the Committee regarding the availability and consumption of foodgrains during the last 5 years:—

(*Million Tonnes*)

Year	Production	Import	Total Availability	Consumption
1969-70	99·50	3·91	103·41	99·50
1970-71	108.42	3·09	111·51	107·81
1971-72	105·17	1·86	106·51	
1972-73	95·20	0·70	95·41	..
1973-74	115·00*	4·35		*116·1
1978-79	140·00*	..		*140·00

*Estimated

Assessment of requirements of Foodgrains in the Country

2.2. The Ministry of Agriculture have, in reply to a question about the assessed demand for foodgrains in the country, stated that the requirement "cannot be precisely estimated as it depends on a number of variable factors such as production, income, relative level of prices, population growth, etc." During evidence, the representative of the Ministry of Agriculture was asked as to how, in the absence of assessment of the requirement of foodgrains in th country, their availability to meet the demand was being planned by Government. He stated "we take into account the level of production, behaviour of prices, reports received from the State Government....and based on this, we try to work out whether the foodgrains availability within the country are adequate or not. This has been generally the method adopted in the Minis-

try for computing the requirements at any given point of time." Pressed further to indicate the *modus vivendi* of computing the overall demand of foodgrains in the country during a particular year on the basis of which alone the total availability could be realistically planned, the representative of the Ministry of Agriculture replied:—

> "Actually, the State Governments are responsible for distribution of Foodgrains within the States. We get demands for foodgrains from them and they calculate their demands on the basis of foodgrains available in the market. Then we see the price trend and the surplus districts within the State. After taking into account all these things, we total up the demands during the year..... we have submitted a statement....indicating that the total demands received from the State Governments work out to almost 17 million tonnes....Against the computed demand during the corresponding period, we have supplied 11.4 million tonnes and that is the total quantity which has been released through the public distribution system....This figure of 17.8 million tonnes that has been worked out is the reported figures of the State Governments, that is, what they consider as necessary in order to maintain the foodgrains distribution system within the States but the supply will be determined with reference to the availability of stock with the Centre."

Assessment of Production of Foodgains

2.3. Spelling out the machinery for the collection of data in regard to foodgrains production in the country, the representative of the Ministry of Agriculture stated that the Central Government had no independent machinery for collecting the data in regard to the foodgrains production in the country. These figures were being collected and compiled by the State Governments in their Revenue and Agriculture Departments. The production estimates were arrived at on the basis of two kinds of data being collected and furnished by the State Governments. The area estimates and the yield estimates based on crop cutting experiments. According to him:—

> "We normally rely on the estimates given by the State Governments. When we feel that it is not correct on the basis of rainfall data or prices or market arrivals, which are some of our indicators, we discuss it with the State Governments and leave it to them to revise their esti-

ates. The difficulty arises not when the final estimates have been compiled but when the State Government is not able to work out the estimate or when it has not got all the data. For instance, when the crop is still in the field, and we are asked to give an estimate, it becomes very difficult because in the coming few weeks, the weather may change for the better of for worse."

2.4. One major defect in the system of collection of data by State Governments, he said, was that it was received by the Central Government very late. To reduce the time lag in the availability of the data, the Ministry of Agriculture introduced in 1969-70 a scheme known as "Timely Reporting of Estimates of Area and production of principal Crops". This scheme was wholly financed by the Central Government and so far, it was in operation in Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Mahrashtra, Rajasthan, Tamil Nadu and Uttar Pradesh. The scheme envisaged advance data enumeration in respect of one out of five villages selected at random from each Patwari Circule. Thus, data in respect of about 20 per cent of the villages was available in advance. On the basis of this advance data, an attempt was made to estimate the production in each State and in the whole country. He, however, pointed out:—

"One can never be sure what the final yield figures will be....We are still compiling data on the basis of partial crop cutting experiments; neither the State Government nor the Central Government can be sure that the estimates are correct because they will be changing."

2.5. As regards the reliability of the data collected by the State Governments, he stated that in the National Sample Survey Organisation of the Department of Statistics there were arrangements for the supervision of....crop-cutting experiments and land utilisation statistics. This supervision was, according to him, found "not adequate" and the data was "sometimes not very reliable". With a view to have a much earlier estimate and on which there should be no controversy between the State Government and the Central Government, a new scheme for data collection was being introduced by the Department of Statistics in co-operation with the Ministry of Agriculture. Under this scheme, 10000 villages would be selected for data enumeration. Half of them would be supervised by the State Government staff and half would be supervised by the Centre. The data would be exchangeed between the State Governments and the Central Government so as have more reliable and timely statistics.

2.6. The Committee consider it rather strange that whereas in any system of planning, first the demand is assessed and then the availability is planned accordingly, in the case of foodgrains the Ministry of Agriculture seek to estimate the demand on the basis of availability. While noting the views of Government that the requirement of foodgrains depends upon "production, income, relative level of price etc.", the Committee consider that food being a basic human necessity, it is imperative that the requirements are assessed and projected most carefully on the basis of known minimum requirements. The Committee are surprised that Government are not able to give definitive information about the requirements of foodgrains. The Committee regret to find that the requirements are being determined in an arbitrary manner from season to season on the basis of reports from States regarding availability of foodgrains which, according to Government themselves, are neither available in time nor are very reliable. The Committee strongly recommend that the Central Government should, without any further delay, devise suitable methodology for assessing every year the overall demand of foodgrains in the country on the basis of the minimum consumption requirement, so that the total availability of foodgrains could be planned in a more systematic manner.

2.7. The Committee note that to reduce the time lag in the availability of the data from the States, the Ministry of Agriculture introduced in 1969-70 a wholly Centrally financed scheme known as "Timely Reporting of Estimates of Area and Production of Crops" and that the scheme is in operation in 11 States so far. This scheme envisages advance data collection in respect of one out of five villages selected at random i.e. in respect of about 20 per cent of the villages. In addition, the National Sample Survey Organisation of the Department of Statistics also arranges supervision of crop cutting experiments and land utilization statistics by the State Governments. According to Government, this supervision was not adequate and the data also was not very reliable. A new scheme for data collection is being introduced by the Department of Statistics in cooperation with the Ministry of Agriculture, under which 10,000 villages would be selected for data enumeration-half of these villages will be supervised by State Government staff and half by the Central organisation staff and the data would be exchanged between the State Governments and the Central Government so as to have more reliable and timely statistics. The Committee find that neither the scheme introduced by the Ministry of Agriculture in 1969-70 to collect timely data about the production in each State nor the scheme under which the National Sample Survey Organisation supervises crop cutting

experiment and land utilization statistics in the States, were found effective in collecting reliable and timely production data in the States. It is surprising that Government could not effectively co-ordinate the activities of these two departments and put into force a scheme to collect reliable and timely data. The Committee are not sure whether the new scheme for data collection, which is now being introduced by the Department of Statistics in co-operation with the Ministry of Agriculture, has been evolved after a thorough examination of the shortcomings found in the earlier schemes. The Committee would like Government to closely watch the results of the working of this scheme, so as to effect improvements without delay. The Committee need hardly stress that unless Government arrange to assess reasonably correctly the crop prospects, they would not be able to take timely measures to procure the foodgrains within the country and/or import them from outside or initiate concerted measures for implementing contingency emergency agricultural production programme. The Committee would like to be informed of the concrete measures taken in this behalf and the success achieved in procuring more accurate and realistic estimates of food production.

Production during 1972-73

2.8. The target of production of foodgrains during 1972-73 was 118 million tonnes. As against the target, the final estimates of production are assessed at 95.20 million tonnes. Government have stated that it was in August—September 1972, after reports about the failure of South-West monsoon had been received from many states that they became aware for the first time that the targetted producion during 1972-73 of 118 million onnes, might not be realised. Yet the imports during that year were also the lowest as compared to imports during the previous three years, being only 0.21 million tonnes against 3.91 million tonnes in 1969-70, 3.09 million tonnes in 1970-71 and 1.86 million tonnes in 1971-72.

2.9. Asked as to why imports during 1972-73 were kept at a low level, even in the face of a sizeable shortfall in indigenous production, it has been stated:

> "In the context of the need to achieve self-sufficiency it was decided to give greater emphasis for steping up foodgrains production in the country. The results achieved in 1970-71 when the foodgrains output reached peak level of 108.42 million tonnes, justified the need to reduce the level of imports which was also consistent with the decision taken earlier to stop import of foodgrains on concessional terms."

In reply to the question as to what action was taken by Government after they became aware of the likely short-fall in production during 1972-73, to meet the demand in the country during the remaining part of the year, Government have stated that an Emergency Agricultural Production Programme was launched on a nation-wide scale with the object of retrieving the losses in Kharif production and increasing the production of 'Rabi' and summer crops during 1972-73. The Programme was based primarily on quick maturing minor irrigation schmes for which special allocation of Rs. 152 crores was made towards financial assistance to State Governments.

2.10. During evidence on the 31st January, 1974, the representative of the Ministry of Agriculture informed the Committee that as against the allocation of Rs. 152 crores, Rs. 148 crores had been utilised by the states "so far". The amount was used for minor irrigation schemes such as installing or digging deep as well as shallow tube wells, installing pumping sets etc. He added that "according to the available information, 7.50 lakhs hectares were estimated to have been benefited by the irrigation facilities." As to the positive results of the emergency programme noticed in the production of Rabi and Summar Crops during 1972-73, he said:

> "While the potential has been created for coming years also—not only for that year—the production did not benefit last year—The total output as we have got was not higher than in the previous year because of these constraints, because of the drought and several other factors which I have indicated (scarcity of water in wells and for generation of hydel power, shortage of fertilisers, rust disease, hot winds affecting crops)—One can say that production results would have been even less than what we have got."

2.11. In a subsequent written note furnished to the Committee in the second week of April, 1974, Government explained the position regarding the availability of foodgrains during 1972-73 and the Government's efforts to tide over the difficult food situation as follows:—

> "The food situation in the country showed further improvement during 1971 despite the additional pressure on supplies on account of Bangla Desh refugees, thanks to a second successive bumper harvest of foodgrains. The increase in production reflected itself in larger market arrivals. A more significant aspect of this development

was that, for the first time since Independence, domestic procurement of foodgrains exceeded the total public distribution. Foodgrain imports were reduced further by 1.5 million tonnes from 3.6 million tonnes in 1970 to 2.1 million tonnes in 1971. However, stocks with the Government went up by as much as 2.6 million tonnes during 1971, despite the fall in imports. Total stocks with the Government at the end of 1971 stood at 7.9 million tonnes.

The food situation in the country came under considerable stress and strain during 1972 on account of a set-back in foodgrains production of nearly 4 million tonnes in 1971-72 and more particularly because of the extensive damage to the 1972-73 kharif crops resulting from erratic and scanty rainfall and the prevalence of drought conditions in several parts of the country. Scarcity conditions were experienced in varying degrees in a number of States, the worst affected areas being Maharashtra, Gujarat, Rajasthan and parts of Andhra Pradesh and Mysore. Market arrivals were lower and upward pressure on foodgrain prices was witnessed almost throughout the country, particularly during the later half of 1972. To check the rise in prices and to meet the requirements of the vulnerable sections of the population at reasonable prices, public distribution of foodgrains was considerably stepped up. Total off take from the public distribution system rose by 2.7 million tonnes from 7.8 million tonnes in 1971 to 10.5 million tonnes in 1972. During the lean months of July-October, 1972, the average monthly offtake was raised to the corresponding period of 1971. The number of fair price shops was also increased from 125,000 in July to 165,000 by the end of December, 1972. The step-up in public distribution of foodgrains led to the depletion of buffer stocks built up over the last few years. Total stocks with the Government at the end of December, 1972 stood at 2.4 million tonnes as against 7.9 million tonnes at the end of 1971. To meet the increasing requirements of the public distribution system and to replenish the buffer stocks, vigorous efforts were continued for maximising procurement. Despite the fall in production, Total procurement out of 1971-72 crop reached 8.4 million tonnes which was only marginally lower than the last year's record level of 8.8 million tonnes. Steps were also taken to further

intensify procurement out of 1972-73 crop. To ensure uninterrupted flow of supplies through the public distribution system, the Government decided towards the later part of 1972 to import 2 million tonnes of foodgrains from abroad. A sizeable portion of this quantity was received in February-March, 1973.

The food situation in the country became further difficult during 1973 owing to a setback to foodgrain production for the second year in succession. Despite a fall of 10 million tonnes in production, total procurement of foodgrains out of 1972-73 crop amounted to 7.6 million tonnes as compared to 8.4 million tonnes procured in the previous year. Therefore, arrangements were made to import additional 2.5 million tonnes of foodgrains in the world market to supplement the domestic supplies. The Government of U.S.S.R. also offered, as a gesture of goodwill, a wheat loan of 2 million tonnes to help the country in meeting the difficult food situation.

With a view to imparting stability in the food economy, the Government decided to build a buffer stock of 5 million tonnes of foodgrains during the Fourth Five Year Plan period. This target was later raised to 7 million tonnes. The increased distribution during 1972-73 coupled with the fall in procurement during 1972-73 led to further depletion of stocks. The total physical stocks with the Central and State Governments during the year 1973 stood at 2.97 million tonnes against 3.4 million tonnes in 1972 and 7.9 million tonnes in 1971."

2.12. The Committee understand that in 1972-73 Government had a buffer stock of 7-8 million tonnes of foodgrains but with the failure of monsoons in June-July, 1972 an unprecedented pressure developed on the public distribution system. The Committee understand that Government resorted to Emergency Agriculture Production Programme at a cost of Rs. 148 crores to bring about increase in food production. The Committee are left with an impression that if Government machinery had been able to assess correctly that there was a short fall of as much as 22 million tonnes between the crop of 1972-73 and of the previous year, they would have taken more expeditious measures to arrange for import of foodgrains in time rather than get them towards the fag end of 1972-73 when the pressure on the prices of foodgrains had become unrelenting and had caused widespread distress to the public at large particularly the weaker section of society. The Committee would like Government to learn two lessons from this experience.

Firstly, their methodology and organisation for assessment of demand and availability of foodgrains needs significant improvement. Secondly, Government should not allow their buffer stocks to be depleted to the extent that happened during 1972-73 as thereby their position to influence prices through releases from the buffer stock gets perceptably reduced leading to spiralling up of prices and exposing the weaker sections of society to great suffering.

2.13. As regards the Emergency Agricultural Production Programme, Government have themselves admitted that it was not able to make any notable contribution towards increased production. The Committee would like Government to critically evaluate the experience of Emergency Agricultural Production Programme and work out in advance well thought out schemes in consultation with State Governments which would make for creation of durable assets and would result in achieving targetted production in a short period to relieve the shortages.

Production estimates for 1973-74

2.14. The representative of the Ministry of Agriculture was during evidence asked to indicate the estimates of production of foodgrains during 1973-74. He replied that the target set for the year was 115 million tonne-67 million tonnes of Kharif and 48 million tonnes of Rabi. As regards Kharif production, he said:

> "So far as Kharif production in the current year is concerned, the estimates of production have still not been finalised....The data on crop cutting experiments particularly, are being tabulated in the States. But, preliminary indications seem to suggest that the target of 67 million tonnes which was fixed for Kharif production may be more or less achieved. This is the rough assessment which can be made today in the absence of complete information."

Asked to state the difficulties in data processing, he stated that the crop was still being harvested in some areas and unless the crop has been harvested, the crop cutting data could not become available. However, according to him, at the Central Government level "we have tried to work out some estimates....The assessment comes to be around 67 million tonnes for all the Kharif foodgrains taken together....It can go wrong by one or two million tonnes this way or that way, but it appears that the Kharif production (target) of 67 million tonnes may be more or less achieved." The break-up Kharif production of 67 million tonnes indicated by him was: Rice 40-41 million tonnes; other cereals 26 million tonnes. His assessment of Kharif production of foodgrains other than Rice were: Jowar—6 million tonnes; Bajra—7 million tonnes;

Maize—5.5 million tonnes and minor millets and pulses—7.5 million tonnes. He pointed out that total kharif production during last year (1972-73) was 57.2 million tonnes out of which Rice accounted for 35.9 million tonnes.

2.15. As for Rabi production during 1973-74, the representative of the Ministry of Agriculture stated in January, 1974 that Government had "not yet made any estimate".

Import of Foodgrains during 1973-74 *and future years*

2.16. Government were asked to indicate the programme for import of foodgrains during 1973-74. In reply it is stated that a quantity of about 4.1 million tonnes of foodgrains (wheat and milo) has been purchased on commercial basis from Argentina, USA and Canada during the period from December, 1972 to October, 1973 at contrat value of Rs. 315 crores (approximately). Most of the foodgrains have already arrived. In addition, it is purposed to import 2 million tonnes of wheat from Russia. The Russian wheat has started coming in from October 1973 onwards.

2.17. No decision had been taken by Government regarding the import of foodgrains during 1974-75 or 1975-76. Spelling out the reasons therefor, the representative of the Ministry of Agriculture stated during evidence—

> "In the context of the announced policy to achieve self-sufficiency, it is extremely difficult to formulate a long term import policy. Depending on the situation from time to time, decisions are taken....The position now is that with the foreign exchange constraint plus the other economic considerations to sustain the Fifth Plan which is in the offing, long term formulation of any import policy at this stage is not under our contemplation. But since food is a very sensitive subject, it gets top priority in Government thinking. If the situation demands, limited imports as done in the past will be considered and formal decision taken".

Buffer Stock

2.18. The representative of the Ministry of Agriculture informed the Committee during evidence that a decision was taken that during the Fourth Plan period a buffer stock of 5 million tonnes of foodgrains should be built up. Government had accordingly built up a saock of 8.8 million tonnes of foodgrains. The stock was entirely dissipated in meeting the increased demands of the States during the drought period. The policy of building up the buffer

stock continued and it was proposed to have a stock of 7 million tonnes. He however added:

> "In the context of the present food situation, how much of the stock we should be able to get from procurement, how much we are to import to supplement, is a matter on which further examination is going on. At this stage, we are not able to say anything."

Procurement of Foodgrains

2.19. State Governments have to procure foodgrains for maintaining their own public distribution system. The States which are surplus in foodgrains have, in addition, to procure for the Central Pool of foodgrains which is managed by the Central Government for meeting the requirement of the deficit States to the extent of the deficiency and also for meeting the emergent requirements anywhere in the country. The targets of procurement for each state including the contribution from the State to the Central Pool are determined in consultation with the State Governments.

Procurement during 1973-74

2.20. The working target for procurement during 1973-74 and actual procurement by the end of December, 1973 are indicated as follows:—

(In million Tonnes)

	Target	Procurement
Wheat	8·12	4·53
Rice	5	1·75
Coarse grains	1·65	0·18
	14.77	6·46

2.21. The wheat procurement season is almost over and it is stated that there is no further possibility of achieving the target and the shortfall is likely to be 3.58 million tonnes. As regards rice, the procurement upto 19-4-1974 is indicated as 3.37 million tonnes. The procurement of paddy|rice will continue upto October, 1974 and as such Government find it "not possible to estimate the likely shortfall in procurement against the target of 5 million tonnes." The progress of procurement of rice is, however, considered by Government as "satisfactory, particularly in the States of Punjab, Haryana, U.P., Andhra Pradesh and Maharashtra". The procurement of coarse grains as reported upto 18.2.1974 has been 0.28 million tonnes as against the target of 1.65 million ton-

nes. It is stated that "judging from the present trend there will be a shortfall in the procurement of coarse grains."

Reasons for slow procurement of wheat

2.22. The reasons for slow procurement of wheat were indicated in a note furnished to the Committee during June, 1973 as follows—

(1) The Production of wheat according to some States Governments is less than what was anticipated earlier by most of them during 1972-73;

(2) Withholding of wheat by the farmers as they feel that the present (Kharif 1973-74) procurement price of Rs. 76|- per quintal of wheat is very low as compared to the prevailing prices of other foodgrains;

(3) The capacity of the farmer to hold back the stock has improved with the higher wheat productivity in the past few years. The minimum financial requirements of the farmers have been met by them by selling other crops like gram, barley, etc., which are fetching relatively higher prices.

(4) A general psychology of shortage among the masses which led to a large scale hoarding of foodgrains not only by the producers, but also by the traders and consumers;

(5) General shortage of foodgrains in the open market coupled with insufficient issues from the public distribution system;

(6) Concerted effort and propaganda by the wholesale traders and other interested parties against the new policy;

(7) There were local reasons also in different States e.g.:—

(i) Agitation in the States of Punjab, Haryana and Bihar by opposition parties against take over of wholesale trade in wheat.

(ii) A persistent compaign in certain quarters in Punjab Haryana and Western U.P. that the Government was on the verge of revising the procurement prices or giving some sort of cash incentive. This led to the producers holding back the supplies;

(iii) In Bihar, the levy orders provided for issues of notices, hearing objections, disposal of appeals etc. This

procedure was long drawn and resulted in delays and dissipation of stocks.

2.23. A point was raised during evidence that procurement would be far more smooth and effective if public was associated and involved in the work. Dealing with the point, the representative of the Ministry of Agriculture said that the State Governments had been advised to form committees at the State, District, Tehsil and Mandi levels so as to ensure that the farmers bringing foodgrains were not cheated.

2.24. Another point made during evidence was that the decision to take over wholesale trade in wheat was taken in haste without creating a suitable machinery for its implementation, procurement and distribution. In this connection, the representative of the Ministry of Agriculture stated that the scheme for take over of wholesale trade in wheat was launched after careful consideration in February, 1973. The State Governments, he said, were advised to take a number of preparatory measures. Maintaining that the State Governments "cannot be blamed too much and it would not be correct to say that the scheme has failed", he stated:

> "We have to take into account the attendant circumstances. Unfortunately the climate of scarcity was there and this sort of psychology was prevalent at that time. It was coupled with the scarcity of certain other essetial things. The task Government had undertaken was not a small one because 4,000 and odd purchase centres had to be opened. They were opened. Handling of over 4.5 million tonnage of wheat had to be done; this had to be moved. During those days, it must be remembered, it was not only the operation of procurement, but operation of procurement was coupled with rushing of supplies and all efforts had to be harnessed to organise this movement which stood the test at that time. This was the first year of the scheme. One can be wiser by experience. There is scope for improvement."

Role of FCI in Procurement

2.25. Asked whether the low procurement was also in any measure due to inefficiency on the part of the Food Corporation of India and other public agencies which were doing the procurement work, a Joint Secretary in the Ministry of Agriculture stated during evidence:

> "I personally would not take that view because the Food Corporation and the public agencies are only collecting agencies. The States, where the wheat procurement was taking place in a big way, were directly procuring

gains in the market. The producers levy, which is the other alternative, was adopted only in Bihar and Madhya Pradesh. But, the quantities obtained through producers levy in Bihar were rather nominal and in Madhya Pradesh, not very satisfactory at all. So, whatever was available in the market, that is, arrivals in the markets—in Punjab, Haryana and Uttar Pradesh many grain centres were opened—was mopped up to the extent of about 90 per cent, which is quite satisfactory."

Another Joint Secretary of the same Ministry, however, admitted that "at the Ministry level we have also come across certain individual lapses on the part of officers in regard to procurement..... (and) necessary action in the form of enquiries and all that has been taken". He, however, stated that the main responsibility for procurement of wheat rested with the State Governments and the officials concerned with procurement discharged their duties and responsibilities under the overall control and guidance of the State Governments and the Government of India.

Procurement on the basis of percentage levy on production

3.26. It was suggested to the Committee by a non-official organisation that Government should procure at a fixed price rice and wheat under a system of levy at the rate of a certain percentage of production. The levy could be on the millers in the case of rice and on farmers in the case of wheat. The balance quantity may be allowed to be sold in the open market at remunerative prices. This system would, it was held, obviate the demand from the farmers|millers for a higher procurement price and at the same time induce them to grow more. It would also help in maintaining a resonable price level and the consumers choice for quality and quantity would also be met.

2.27. During evidence, the representative of the Ministry of Agriculture was asked to state whether Government had considered the feasibility of introducing the system of pricing and distribution of wheat and rice on the lines existing in the case of sugar. He replied that the suggestion of a small percentage levy leaving a larger percentage for sale in the open market would go against the basic objective of the food policy which was that the public agencies and the public distribution system should acquire commanding position so that Government were able to discharge their responsibility of feeding the people. From that point of view, he said, monopoly procurement by the public agencies including cooperatives had an element to commend itself. He added that though there were shortcomings in the system of monopoly procurement, but the solution lay in trying to overcome them. According to him, the existing

procurement system was operating on the marketed surplus rather than on marketable surplus, that is, whatever was marketed was procured and the rest was left for the open market—retailers and consumers purchasing from the producers. If market arrivals did not take place, then the system would not work. According to him, an impression was left that the producers kept a large part of their produce and if that continued "then the question would have to be thought whether producers' levy should be introduction." He, however, admitted that while fixing the price "we have to be very careful so that on the question of price, the scheme does not fall."

2.28. A point was raised that in the case of rice, a levy on millers would be more appropriate as it would enable them to work the mills and engage themselves in honest trade. Rice procurement at the producers level with milling being done in the public sector, would drive them into dishonest business. The representative of the Ministry of Agriculture replying to the point raised stated:

> "This has been examined. We have lot of complaints that the miller cannot be wholly relied upon because in other States they have indulged in blackmarketing, and whereas they may have a delivered a portion, they have seen to it that there are malpractices and they have allowed a certain quantity of rice to be smuggled out and leaked out. It neither comes to the consumer nor to the procurement agencies. They have indulged in this kind of malpractice. I believe if we were to take an overall view, perhaps the advantage would lie in trying to perfect the monopoly purchase system and farming out paddy for milling to the millers rather than leaving it to the millers to purchase and give only a portion."

2.29. Amplifying the above reply, another representative of the Ministry of Agriculture stated:—

> ".....the whole approach to the problem of procurement of rice in the last several years has been based on a combination of system. It is not a single system which is going to work in this country, because the conditions are different. You suggested that we put on the millers the obligation to deliver a fixed quantity of rice and after they have discharged their obligation, then give them freedom to market their rice at any price they like. This experiment was carried out in Bihar. It is known as compounding of levy. Instead of asking the millers to deliver 50 per cent or 60 per cent of their produce at a fixed price, we tell them "from your mill during the milling session, you deliver 'X' tonnes at a fixed price."

In Bihar, the failure of the procurement has been mainly due to this compounding system.....In Maharashtra State, because of a strong co-operative base, they have adopted the monopoly system of procurement, whereas in West Bengal, where the co-operatives are not so developed, they have adopted a system of procurement in which there is a miller's levy, producer's levy and trader's levy and so on, and also requisition the stock, and take recourse to all sorts of methods. In Bihar, they have merely adopted miller's levy. So, the course that we decided at the time of the formulation of the policy was that in the interests of maximising procurement this year, particularly in order to maintain and sustain the public distribution system, the State Governments should adopt a system of procurement which will help them to get the maximum quantity. The States have now adopted various systems of rice procurement and they have been so far fairly responsive to the different systems adopted and modifications, if any, will have to be done on the basis of the experience of these States."

2.30. Answering a question whether the nationalisation of rice mills would help in meeting the situation, he said:

"Nationalisation is beset with a large number of problems. At the moment, this proposition does not appear to be a practical one."

Suggestions for improving procurement

2.31. The Ministry of Agriculture had in a note furnished to the Committee stated that "a number of suggestions have been made to the State Governments to plug the loopholes in procurement and to tighten enforcement". The representatives of the Ministry of Agriculture enumerated them, during evidence, as follows:—

1. Strict enforcement of maximum retail price of wheat;

2. Strict enforcement of prescribed stock limit;

3. Enforcement of restrictions on inter-zonal or inter-district movement of foodgrains and effective anti-smuggling measures.

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4. Use of Maintenance of Internal Security Act and Defence of India Rules;

5. Effective publicity to counteract adverse propaganda;

6. Imposition of enhancement of levy on millers, traders and producers;

7. Stepping up recoveries of Government and Cooperative dues from farmers.

2.32. Asked to state whether the State Government were following these guidelines, he stated:

"By and large, the instructions have been followed, but in a few cases, certain difficulties were pointed out, for instance in the case of maximum retail price. In some of the States, it was pointed out that the open market availability of wheat suffered a great setback when they wanted to enforce the retail price. The State Governments represented and they had to relax a bit on this.

With regard to the inter-district movement restrictions, some of the State Governments represented that this also had resulted in distress so far as availability in the open market is concerned. There was a certain relaxation allowed on this. By any large, the State Governments have carried out the suggestions but the difficulties experienced by them were reviewed and suitable action taken."

Remedial steps taken

2.33. Government have indicated the steps taken by them to meet the shortfall in procurement in a note furnished to the Committee as follows:

WHEAT

(1) Bonus incentive Scheme: On 14th June, 1973, Minister for Agriculture announced the bonus incentive scheme in the Chief Ministers' Conference according to which bonus was admissible to the States for procurement beyond first 25 per cent of the target. This bonus was specifically to be utilised for subsidising the agricultural inputs to the farmers who help in procurement. Originally, the scheme of bonus was uptil the 15th July, 1973, but Government had extended the scheme up to 31st October, 1973. During evidence, the representative of the Ministry of Agriculture indicated that the bonus was

given to the State Governments in cash and that it did help in intensifying procurement of wheat during the later part of kharif season of 1973. He, however, added that the details as to how the States had actually utilised the bonus given to them were still awaited from the State Governments.

(2) Taking into account the anticipated shortfall in the procurement of wheat during the 1973-74 season, arrangements were made to import 41 lakh tonnes of foodgrains. In addition the offer of a loan of 20 lakh tonnes of wheat from the USSR was also accepted. A substantial portion of the contracted quantity has already arrived and issued to the State Governments for supply through fair-price shops.

(3) Since the next wheat crop is expected to arrive in the market in the main wheat producing States towards the beginning of April, 1974, the Agricultural Prices Commission has been requested to submit its recommendations to Government regarding procurement prices of wheat to be fixed for the 1974-75 season as well as procurement policy that should be adopted by Government in the context of the current food situation. Further details regarding the pricing and procurement policy of rabi crop (wheat) will be discussed in the conference of the Chief Ministers in the second week of March.

(4) While formulating the rabi procurement and price policy for the 1974-75 season, several alternatives may have to be considered to deal with the situation. Since large scale imports of foodgrains may not be possible on account of the high prices as well as non-availability in the international market, the present thinking is to ensure equitable distribution of foodgrains between the States, improve availability of foodgrains in the open market and remove the distortion in prices, by introducing changes, if necessary, within the frame-work of the existing overall policy. The policy measures and other matters relating to these aspects are going to be discussed in the forthcoming conference of the Chief Ministers and in the light of the decisions, necessary steps will be taken.

RICE: In accordance with the existing policy, the supplies will have to be related to the stocks that may be available with the Central and State Governments and no import is envisaged except limited quantities the import of which

may become necessary on bilateral trade and other considerations. Since, according to the current expectations, the pace of procurement has been much better than previous years, the existing arrangements may not require any major policy modification.

COARSE GRAINS: There will be a sizeable shortfall in procurement. During the year 1973, out of 15 lakh tonnes of yellow sorghum contracted for, a major portion of the quantity has already been received and distributed. The balance quantity, together with coarse grains procured within the country, will be issued to the State Governments for release through their public distribution system. The coarse grain prices in the international markets are ruling very high and there is very little prospect of augmenting supplies through import. The distribution of coarse grains will have to be confined to areas where these grains constitute the staple diet of the people. In order to improve the availability of coarse grains in the dificit States, like Gujarat and Maharashtra, certain relaxations have been made in the purchase and movement of coarse grains from the main producing States, through sponsored agencies on State to State basis. It is expected that with these relaxations, some of the deficit States will be in a position to purchase coarse grains and make them available to the consumers at reasonable prices. Apart from improving availability of foodgrains, this is also likely to have some effect on the open market prices of coarse grains in these States. The coarse grains situation is being kept under constant watch and further policy modifications necessary, if any, will be considered by Government at the appropriate stage."

Comprehensive Price Policy

2.34. During evidence in February, 1974, the representative of the Ministry of Agriculture was asked whether Government had considered the feasibility of having a comprehensive price policy (Support price, procurement price) in respect of the main agricultural commodities including coarse grains, dals etc. so as to prevent the diversion of acreage from one crop to another in case of wide fluctuations in the market prices of these commodities. He replied that Government were already following a comprehensive price policy in respect of kharif and Rabi foodgrains. The support and procurement prices for all the major foodgrains were being announced. The Agricultural Prices Commission, while making their recommendations keep in view whether the pricing policy was

encouraging shift from one crop to anoter and, if so, how to prevent that shift.

Fixing of procurement prices

2.35. It is stated that the procurement prices of foodgrains are fixed on the basis of the recommendations of the Agricultural Prices Commission and after accertaining the views of the State Governments. While fixing the prices, the likely production, availability in the market during the post-harvest period and the expected price trend are kept in view, to ensure remunerative prices to the farmers.

2.36. During evidence, the representative of the Ministry explained the process of fixing the procurement prices as follows:

> "At the time of formulation of the pricing policy, we receive several representations and memoranda from the various organisation connected with the problem. Several of them do communicate their views in the matter. For the formulation of the pricing policy for the entire country while the cost of production data which is systematically collected by our statistical organisation forms the basis, we also keep in view the memoranda received from the various organisations etc. In the Chief Ministers' Conference also, representatives from various State Governments did point out that the price of fertiliser and the cess on water for irrigation purposes had gone up. After taking an overall view and in the context of the need to stabilise the price of foodgrains, a decision is taken as to what should be the level of prices fixed."

2.37. A point was raised during evidence that the cost of production of foodgrains was not uniform in all the States. In Madhya Pradesh for instance, the cost of production was higher than in Punjab or Haryana. The representative of the Ministry was therefore asked whether in determining the procurement prices, the cost of production in difficult areas was also taken into account. He replied:

> "The procurement price of wheat is fixed by the Government of India on the basis of the recommendations of the Agricultural Prices Commission and discussions held with the Chief Ministers. So far as the cost of production of wheat is concerned, under a comprehensive scheme, the cost data on wheat in different states in collected and analysed and then the cost of production is determined on the basis of a certain accepted statistical procedure.

So far we have had data from Punjab, Haryana and Western U.P."

Another representative of the Ministry of Agriculture explained that a scheme called the "Comprehensive scheme for studying the cost of production of principal crops" had been started and that while the data from Punjab, Haryana, and Western U.P. was available, that from M.P. was "under compilation". He, however, assured the Committee that comprehensive data in regard to cost of production of agricultural commodities would be collected.

Publicity to Support and Procurement Prices

2.38. During evidence, the representatives of the Ministry of Agriculture was asked to state as to how the support and procurement prices announced by Government were made known to the farmers. He said that the support prices were announced by Government of India before the start of the sowing operations, and the procurement prices were announced before harvesting. The State Governments were informed to that effect. The State Governments in turn published the same through the newspapers and other publicity media. Replying to the point raised that the publicity media used by the States catered mainly for the urban population and hardly reached the farmers, he assured that State Governments would again be asked to give adequate publicity to the support and procurement prices announced by the Government of India.

Procurement price for Khariff 1973-74

2.39. Government have fixed the procurement prices of Kharif foodgrains for 1973-74 season. The per quintal prices are fixed at Rs. 70.00 for standard, variety paddy, jowar, maize and ragi; Rs. 72.00 per quintal for bajra and Rs. 60.00 for small millets (kodon and kutki). For 1973-74 season the procurement prices of wheat continue to be Rs. 71.00 and Rs. 74.00 for indigenous red variety; Rs. 76.00 for indigenous common white and mexican varieties and Rs. 82.00 for specified superior variety. However, the support prices for 1974-75 season have already been announced at Rs. 80.00 per quintal for indigenous red variety and Rs. 85.00 per quintal for mexican and indigenous common white variety. The procurement price for wheat for 1974-75 season will be fixed by Government towards the beginning of the harvesting season.

Low Procurement Prices

2.40. It was represented to the Committee that the procurement price fixed for wheat was too low as compared to the ruling prices

for coarse grains. On account of the price offered by Government being unremunerative, the farmers were not very enthusiastic about selling their surplus to the public procurement agencies. In this connection, Government have furnished to the Committee a statement indicating the level of wholesale prices of coarse foodgrains and fodder as on 19th October, 1973, peak level prices in 1973 and procurement prices fixed for 1973-74 season. The statement confirms that the ruling prices of coarse foodgrains were generally higher than the procurement prices for wheat announced by Government for the kharif season 1973-74.

2.41. It was pointed out during evidence that if the procurement prices had been little higher and the producers had got adequate quantity of inputs at controlled prices, they would have parted with their gain more liberally. In reply, the representative of the Ministry stated that the procurement price was fixed in consultation with the Chief Ministers and all concerned and at that time it was considered satisfactory. But in the midst of the procurement season i.e. from March, 1973 "there was a spurt in prices" and scarcity conditions began to obtain in the market with regard to many other essential commodities e.g. oil, cement, diesel etc. This, according to him, was a "sudden development" and in the context "it was felt that perhaps the price was not sufficiently attractive for the farmer". He added that "keeping this in mind we made an attempt to offer a further incentive in the shape of Bonus Scheme".

Recommendations of Agricultural Price Commission regarding pricing of wheat for 1971-75 *season*

2.42. The Agricultural Prices Commission have, in their Report on the Price Policy for Wheat for the 1974-75 season (February, 1974), acknowledged that the domestic procurement has "chronically fallen short of the public distribution of foodgrains". On the other hand, the Report points out, the public distribution system was under a considerable strain in 1973 in spite of a distribution of 11.64 million tonnes of foodgrains. According to the Report: "if in 1972 and 1973 the public distribution system could be made to work, "it was because there existed a buffer that could be drawn upon. But now that the buffer stands eroded and the possibilities of foodgrains import stand drastically curtailed owing to their high price in the world market, the nation must face up to the stern reality; the public agencies cannot distribute more than they domestically procure. not to speak of the need for a provision for the rainless day". The Commission have pointed out that the difficulties faced by the producers in respect of the supply of inputs specially diesel and fertilisers are real and deserve to be appreciated but so also

there is need for appreciation on their part that shortages are so extensive that their incidence is not confined to them alone but is being shared by the entire community. Besides, according to the Report of the Commission, the high prices of foodgrains in the open market and the recent increase in the prices of the cereals issued out of the public distribution system are all adding hardship to the common man. Any unrestrained increase in procurement price, the Report says, would only add to the difficulties in containing the inflationary pressures rampant in the economy. In view of these factors, the Commission have recommended that the procurement prices of wheat for the 1974-75 season be fixed uniformly for the different States from Rs. 90 to Rs. 100 per quintal depending upon the variety.

Review of Food Policy

2.43. Asked to state the latest thinking of the Government in regard to food policy, the representative of the Ministry of Agriculture during evidence stated:

> "The entire question of food policy is being critically subjected to review. We have not come to any specific conclusion as to what should be done, but all possible aspects of the problem are being critically reviewed. We are considering, what could be the best method to tide over the food situation. We are unable to give any kind of final view at this stage.... The problems are to be taken care of in the context of our policy of achieving self-sufficiency in foodgrains. If it is our policy that we would not import any foodgrains, then we would have to consider what would be the best method which will ensure availability of foodgrains at a reasonable price."

In this context, he also added:

> "The import of foodgrains involves a considerable amount of foreign exchange which ultimately goes into consumption. Relatively speaking if we import, for instance, crude oil for our industrial needs, it sustains employment in the country and it generates income in the country. Therefore, in the scale of priorities imports of foodgrains always would have a somewhat lower priority except in a situation like the one we had in 1973."

Procurement and Pricing Policy for Wheat for 1974-75 season

2.44. The procurement and pricing policy for wheat for 1974-75 season was announced by the Minister of Agriculture in a State-

ment made in the Lok Sabha on the 28th March, 1974. According to the statement, the new policy aims at giving the growers a good market price, improving availability of wheat particularly in the deficit States at the same time discouraging hoarding at all levels and reducing wide variation in the prices of foodgrains in various parts of the country. The new policy is also expected to create conditions favourable for equitable distribution of foodgrains produced in the country and to enable the public distribution system to meet the reasonable requirements. The main features of the new policy are as follows:—

(1) The procurement of wheat by public agencies will be continued.

(2) In addition, wholesalers both private and cooperative societies, will be allowed to operate under a system of licensing and control.

(3) In Punjab, Haryana, U.P., M.P. and Rajasthan 50 per cent levy will be imposed on the daily purchases of traders and cooperative societies to be given to Government at a fixed price of Rs. 105 per quintal. Traders will be allowed to sell levy-free wheat within the State, or outside the State on the basis of permit.

(4) In other States, the State Governments may undertake procurement by a graded levy on producers.

(5) Procurement Price and Issue Price for all varieties of wheat will be Rs. 105 and Rs. 125 per quintal, respectively.

(6) The trade will operate under strict control and regulation.

(7) For successful implementation of the policy, non-official Committees will be set up at different levels.

2.45. The Committee note that at present the cost of production data in respect of foodgrains is not sufficiently comprehensive as it does not reflect the higher cost of production in difficult and inaccessible areas e.g. Madhya Pradesh, Orissa etc. They recommend that the cost of production of principal crops should be studied systematically in typical areas and a compounded cost of production should be worked out so as to present a realistic picture.

2.46. The Committee note the announcement made by the Minister of Agriculture in the Lok Sabha on the 28th March, 1974 of the revised policy for procurement and pricing of wheat for the 1974-75 season. Food being the basic human necessity, it is of utmost

importance that this essential commodity is easily available to the common man, particularly the weaker sections of society, at reasonable prices. The Committee would therefore like to emphasise that whatever policy the Government decide to follow, it should be sincerely implemented by all concerned. The new policy envisages an important role for the trader in the distribution of food. The Committee hope that the farmer, the trader and the public servant would imbibe a national outlook and extend their full cooperation in making the new policy a success and prevent the arising of a situation where the common man is engulfed in the spiral of rising prices. At the same time, the Committee would like Government to devise strict measures of control and regulation in respect of private trade in wheat, including a ceiling on prices and to take stringent measures against profiteers, hoarders and other anti-social elements so that the public does not suffer, by amending the existing law, if necessary.

2.47. The Committee also recommend that the support and procurement prices of foodgrains should be extensively publicised immediately after announcement, so that the farmers in their villages become aware of these prices.

2.48. The Committee note that some States are surplus while others are chronically deficient in food production. Even the deficit States have some pockets of surplus areas. It is therefore imperative that realistic target of procurement of both rabi and kharif crops should be fixed in respect of each State and concerted efforts made to maximise procurement of foodgrains for delivery to the Central Pool. It is the responsibility of the surplus States to procure foodgrains to the maximum so that the deficit States can be supplied foodgrains to meet the needs of public distribution system. It is equally necessary that deficit States do not over-pitch their requirements of foodgrains but keep them to the minimum and make earnest efforts to procure foodgrains from the surplus areas in their respective States.

2.49. The Committee consider that food problem is likely to remain with us for quite some time as a vast country like ours, is susceptible to floods, droughts, power failure etc., which affect food production. It is therefore, very necessary to build up adequate buffer stocks of foodgrains in the country to meet unforeseen circumstances. The Committee realise that the main constraint in imports of foodgrains, is the difficult foreign exchange position as well as the high prices prevailing in the international market. The Committee would however like Government to seek suitable opportunity to import as much foodgrains as required not only to sustain the supplies through the public distribution system but also to build up gradually a comfortable buffer stock to influence effectively the market price for foodgrains.

2.50. The Committee would also like Government to undertake a review of the commitment on the public distribution system, keeping in view the stock position and the procurement prospects of foodgrains so as to keep the commitments to the extent which can be properly and efficiently met as any breakdown or delay in the distribution of foodgrains, apart from causing distress to the public, creates a scarce and a climate of scarcity leading to hoarding etc. The Committee would like to emphasise that while the needs of metropolitan towns, State Capitals, major industrial towns and chronically deficit areas in the various States are to be kept in view, the primary concern should be to meet the needs of the vulnerable and weaker sections of the society through the public distribution system.

Price of Imported Wheat

2.51. Government when asked to state whether in the wake of the recent rise in prices of wheat in the international market, any cost analysis had been made in respect of the wheat to be imported with a view to determine roughly the prices at which it would have to be sold to the Public without any subsidy. In reply Government have indicated that the economic cost of imported wheat after adding storage, distribution and transport incidentials, works out to about Rs. 122 per quintal. If the Central issue price of imported wheat is fixed at Rs. 122 per quintal, there will be no subsidy involved. Replying to the question as to what would be the landed price per quintal of imported wheat contracted for during the current year, it was stated that the average landed cost of imported wheat contracted for during the year 1973-74 worked out to Rs. 107.50 per quintal.

Current Central Issue Price of foodgrains

2.52. The current Central issue prices of wheat, rice and coarse grains are as under:—

		(Rs. per qtl).)	
I	RICE		
	Coarse	125·00	
	Medium	140·00	
	Fine	150·00	
	Superfine (excluding superior Basmati export quality)	160·00	
	WHEAT		Revised to Rs. 125 per quintal w.e.f. 1-4-1974
	Indigenious—Red and common, mexican and Imported varieties	90·00	
	Specified superior varieties.	96·00	
III	KHARIF COARSE GRAINS		
	Jowar, Bajara, Maize, Milo & Ragi.	80·00	
	Small millets Kodon & Kutki	60·00	

Subsidy paid to FCI

2.53. During the current year (1973-74) the estimated subsidy payable to the Food Corporation of India towards the difference between their economic cost and issue price is Rs. 251 crores. The average per quintal rate of subsidy on different foodgrains is estimates as under:

	(Rs. per quintal)
Wheat	32.54
Milo Imp.	41.74
Rice Imp.	+14.81
Rice Ind.	+0.64
Coarse Grains	13.80

2.54. It is stated that taking into account the high cost of imported wheat and milo Government have recently revised the issue prices of wheat from Rs. 78.00 to Rs. 90.00 per qtl. for indigenous red, common white, mexican and imported varieties and from Rs. 84.00 to Rs. 96.00 per qtl. for specified superior variety. Similarly the issue prices of coarse grains including imported Milo and Ragi have also been revised from Rs. 65.00 and Rs. 60.00 to Rs. 80.00 per qtl. On account of revision in the issue price of foodgrains the subsidy payable on wheat, milo and coarse grains has been brought down by Rs. 12.00 for wheat and Rs. 15.00 per qtl. for coarse grains including imported milo.

2.55. In this context, a point was made during evidence that the high incidental charges incurred by the F.C.I. in the distribution of foodgrains were a subject of criticism by the Parliamentary Committee on Public Undertakings. Government had in January, 1973 appointed a high level Committee to probe into the procurement and distribution incidentals of the Corporation. The high level Committee had in turn appointed a technical sub-Committee. The representative of the Ministry stated that the Committee had "completed its deliberations and will shortly finalise the recommendations".

2.56. In a subsequent written note, the Government have amplified the position as follows:—

> "In accordance with the policy of the Government of India the FCI is reimbursed the difference between the economic cost of foodgrains (wheat, rice and coarse grains) issued to the State Governments from the Central stocks and their issue prices. During the year 1972-73 the FCI

was reimbursed Rs. 117.23 crores towards subsidy. During the year 1973-74 the subsidy payable to the FCI is estimated to be around Rs. 251 crores. The handling and incidental charges incurred by the private traders are not comparable with those of the FCI. The private traders operate mainly on quick turn-over of stocks without any prolonged period of storage and as such they are more interested in disposing of stocks to the next trader with a small margin of commission. Since the private traders do not sell foodgrains at fixed prices they are also able to take advantage of the market situation and in their case the margin of profit often is substantially much higher than their actual cost of operation. The present open market clearly indicates the various prices at which foodgrains are being sold by private traders. There is also a tendency to evade certain payments which the FCI is not in a position to do. The FCI in addition is required to procure foodgrains at fixed prices, undertake long distance movement, prolonged period of storage and distribution throughout the country, including a substantial carrying costs towards maintenance of buffer stocking.

The procurement of foodgrains is done by the FCI, State Governments, Cooperative Agencies and State Corporations. The average procurement incidentals and storage, movement and distribution costs incurred by the FCI are as under:—

	Procurement incidentals (Rs. per qtl.)	Storage, Movement & Distribution (Rs. per qtl.)
1. Wheat Indigenous	10·88	12.05
2. Rice .	7·82	12·21
3. Coarse grains	7·90	12·21."

2.57. The Committee are informed that the average procurement incidentals and storage, movement and distribution cost incurred by the FCI amount to about Rs. 23 per quintal in the case of wheat while the average rate of Government subsidy to FCI in the case of wheat is estimated at Rs. 32.54 per quintal. The procurement price of ordinary wheat during 1973-74 having been fixed at Rs. 76 per quintal, the minimum issue price to break even would be Rs. 99 per quintal. The average landed cost of imported wheat is reported to be Rs. 107.50 per quintal. Thus, even after the issue price of

wheat was raised from Rs. 78 to Rs. 90 per quintal, it remained highly subsidised by Government. The procurement and pricing policy for wheat for 1974-75 season announced by Government provides for a procurement and issue price of Rs. 105 and Rs. 125 per quintal respectively. Thus, a distributors margin of Rs. 20 per quintal is envisaged for the FCI which will still remain short of FCI's existing expenses by Rs. 3 per quintal. The amount of subsidy to the FCI during 1972-73 was Rs. 117.23 crores while during 1973-74 it is estimated to be around Rs. 251 crores. They note that the high level Committee appointed to probe into the high overheads and incidentals of the FCI, will shortly finalise its recommendations. The Committee consider that if the present procurement and distribution policy in respect of foodgrains is not to remain a perennial burden on the public exchequer, the procurement incidentals and storage, movement and distribution costs of the FCI will have to be reduced to the minimum. The Committee, therefore, recommend that Government should have the report of the aforesaid Committee expedited and thereafter ensure that necessary action is taken without any further delay to reduc the overheads of the FCI to the barest minimum. Government should in particular ensure that the distribution costs of the FCI in the case of wheat remain within the ceiling of Rs. 20 per quintal envisaged in the procurement and pricing policy announced by Government for wheat for the 1974-75 season.

Maximum Retail Prices for Wheat

2.58. State Governments have fixed maximum retail prices of wheat. It is observed from the statement showing the prices fixed by different State Governments furnished to the Committee that different maximum retail prices are fixed in different States, ranging from Rs. 83.50 per quental in Haryana and Rs. 85 per quintal in Rajesthan to Rs. 100.00 per quintal in Andhra Pradesh. Explaining the reason therefor, the representative of the Ministry of Agriculture stated during evidence that although the State Governments obtained grain at uniform price, they were adding their overheads and local incidentals etc. before issuing the wheat to the fair price shops. He added that the overheads and incidentals ranged between Rs. 8 and Rs. 11 per quintal on account of transportation, location of depots and other factors. He, however, said that "some attempt is being made to reduce that disparity". Asked why it was not possible to have a uniform retail price all over India as in the case of sugar, he replied: "We are examining whether some sort of uniformity could be introduced in the consumer pricing".

2.59. The Committee note that although the issue prices of foodgrains from the Central Pool are uniform, different retail prices have

been fixed by different State Governments, depending upon their own storage, handling and transport overheads. The Committee recommend that Government may examine whether it is feasible to work out and introduce uniform retail prices of foodgrains distributed through the public distribution system all over the country as has been done in the case of levy sugar.

Zonal and inter-District Restrictions on Movement of Wheat

2.60. The Schedule annexed to the Order of the Ministry of Agriculture (Department of Food) on the 31st March, 1973 (GSR 187E), issued under the Essential Commodities Act lays down the zones for the purpose of movement of wheat and wheat products. As regards the restrictions on inter-district movement within a State, orders are issued by the State Government "with the prior concurrence of the Central Government". Once the restrictions are laid down by the State Government with the concurrence of the Central Government, prior concurrence of the Central Government is necessary if it is proposed to relax them.

2.61. During evidence, the representatives of the Ministry was asked to indicate the reasons for dividing the country into zones for the purpose of movement of foodgrains and for banning inter-zonal movement of foodgrains. He replied that the zonal system had been introduced to cordon off the surplus States and reduce large scale competitive buying by traders so that the prices might come down to a level and the public procurement agencies were able to buy the maximum quantity at the procurement price. The procured stocks could then be moved to the deficit areas through public agencies. He however admitted that under the zonal system there would definitely be "price distortion" in respect of foodgrains available in the open market in the deficit States. But, he said, the system was essential "in the interest of maximum procurement.....for the use of the public distribution system". He added that if the surplus areas were not cordoned off "the stocks would get dissipated and the procurement would suffer". He also stated that recently the restrictions on the inter-district movement of foodgrains had been removed in U.P. and that in the case of Andhra Pradesh, although according to the statutory orders there were inter-district restrictions, but "it has come to the notice of the Central Government that there has been some kind of an informal arrangement and we have asked the State Government to give us the details thereof".

2.62. It was pointed out to the witness that one result of zonal restrictions was large scale smuggling by unscrupluous traders and

that the unauthorised movement was practically free. In reply the representative of the Ministry of Agriculture stated:

> "I would not deny that there is smuggling and that some sort of malpractice is being done by the dishonest businessmen. But by and large the decision for imposing restriction or cordoning off the movement is to enable the States to take over the surplus foodgrains from the farmers. If the restriction is not imposed, then the foodgrains will be taken by the dishonest businessmen and sold at exorbitant prices in the deficit areas. So far as the leakages are concerned, I do admit, in the given situation, there may be a number of points where leakages take place.....So far as the States are concerned, restrictions by their very nature have immobilised the stocks which otherwise would have moved to the States where the purchasing power is the highest....This kind of unauthorised movements take place. I have to admit that. But so far as the rational justifications for imposing restrictions are concerned, they still exist; whether they have succeeded in preventing it or not is the area in which we will have to look into."

Policy announced for 1974-75

2.63. According to Statement made in Lok Sabha by the Minister of Agriculture on the 28th March, 1974 announcing the procurement and pricing policy for wheat for the 1974-75 season, the system of single state zones is to be continued during 1974-75.

2.64. **The Committee note the announcement made by the Minister of Agriculture in Lok Sabha on the 28th March, 1974 that the existing system of single State Zone is to be continued during the 1974-75 season. The objective of the policy should be, in the opinion of the Committee, to increase the availability of foodgrains in the open market at competitive prices, so as to reduce the burden on the public distribution system. They therefore recommend that the policy in this regard should be kept under constant review to see whether it really subserves the objective.**

Whole sale Trade in Rice

2.65. The Government were asked whether any decision was taken by them regarding take over of wholesale trade in rice or price control on that commodity. In a note furnished to the Committee it is stated that the essential implementation of policy of take over of wholesale trade in rice requires not only careful consideration of the operational details but also full involvement and cooperation of

the State Governments and political parties. A number of discussions were, therefore, held with the State Chief Ministers and leaders of the opposition parties. At these meetings also the difficulties envisaged in the implementation of the scheme were pointed out. It was stated that in order to make the scheme of take over a success, an adequate buffer stock would need to be built up. In addition, storage facilities in the public sector and arrangements for transportation, staff etc. would be necessary. A rephasing of the implementation of scheme, therefore, appeared to be necessary.

2.66. It is further stated that considering the need to substantially step up procurement it was considered advisable to leave the States free to adopt any system of procurement that would be best suited to the prevailing conditions; broadly, however, the State Governments were advised to adopt either graded levy or millers|traders' levy or a combination of the two systems. In addition, the State Governments were asked to bring the large number of hullers under their control and supervision and also consider imposing levy on them. Some of the State Governments which were willing to take over wholesale trade in rice from the coming kharif season (1973-74) were allowed to do so.

2.67. During evidence in February 1974 the representative of the Ministry of Agriculture informed the Committee that Assam was the only State which had taken over the wholesale trade in rice. As against the procurement target of 1.50 lakh tonnes of rice during 1973-74, the procurement upto 15th February, 1974 was 1.06 lakh tonnes. Replying to the question as to what had been the experience of the rice take over in Assam, he said:

> "It is too early to draw any firm conclusions about the success of the scheme in Assam. But, whatever information that has come to us, it shows that the scheme is proceeding in a satisfactory manner although there have been some reports that there has been some slight rise in the price of rice in the open market. But, as I said it is too early to draw a conclusion that this scheme has not proved a success.....At the moment we are watching the progress of the procurement. So far it is quite encouraging."

Asked the reason for the rise in the prices of rice after the take over of wholesale trade in that commodity in Assam, he said:

> "The moment public agencies try to enter into the marketing of the same, there is a certain amount of lack of flexibility in the operation in the beginning. Possibly, that might be one of the reasons on account of which some little re-

gional disparities have occurred. That means, in the deficit areas the prices have gone up due to the restriction of the normal trade flow. But this could be ultimately rectified. This is one of the explanations. In a given situation, the prices of paddy or rice will adjust according to the supply and demand at a level. The trader used to do that part of the job. He would move the stocks from the surplus to the deficit districts. When the traders have been prohibited from doing that and now this has been taken over by the cooperatives and perhaps they are not quick and effective enough to do that. This has perhaps given a slight pressure on prices in the market."

2.68. Subsequently, another representative of the Ministry of Agriculture stated:

"I have checked up about the prices in Assam, according to the latest information available, the prices have not been showing any increase during the last one month or so. The prices are stable. Only in one of the markets, the prices are higher. In many of the markets, the prices are around Rs. 150/- which are considered quite reasonable".

2.69. The Committee note that Assam is the only State which has taken over the wholesale trade in rice. Government should watch carefully the result of this take-over and its effect on the open market prices with particular reference to availability of rice to weaker sections of society. The Committee have no doubt that Government are examining in depth the problems involved in monopoly procurement by public agencies, movement, storage and distribution in the interest of effective implementation of the policy to make available essential foodgrains to weaker sections of society at reasonable prices.

(b) Distribution

Assessment of Demands from State Governments

2.70. It is stated that the monthly requirements of foodgrains are reported by the State Governments on the basis of their own assessment of the food situation. These reports are thereafter subjected to careful scrutiny and the demands received from the State Governments are analysed with reference to the following criteria before final allotments are decided:

(i) Central Government stock position

(ii) The estimates of demands received from the State Government.

(iii) Seasonal conditions.

(iv) Assessment of crops.

(v) Availability of stocks in these States and the prevailing market conditions.

The other criteria taken into account are the existing level of distribution and the actual off take against the allocations made by the Centre in the past. It is further stated that the actual allotment of foodgrains in the past has generally been based on the demands received from the State Governments. There have been several instances where the quantities allotted from the Central stocks have not been lifted by the State Governments. This position prevailed mainly because Government had adequate stocks which were built up from imports as well as internal procurement. Open market availability of foodgrains and the prices in the years preceding the drought year 1972-73 were also relatively better than at present. Therefore, there have been very few occasions in the past where the demands received from the State Governments had been scaled down. Past consumption of foodgrains over a period of time is one of the important factors which, the Government feel, have to be taken into account in deciding allotment of foodgrains to the State Governments.

2.71. During evidence, the representative of the Ministry of Agriculture Stated:

> "You will appreciate that in a matter like this our attempt is to make it as much objective as possible. We try to do it subject to the factors that are there. Of course, if a crisis has developed in a particular State, one has to give it a little extra."

Corelation between Demand from States and the public distribution of foodgrains

2.72. State/Union Territory-wise demand of foodgrains from Central pool and Public Distribution of foodgrains from Government stock Central (Pool and from State Government stock) during

January—October, 1973 has been indicated by Government as follows:—

State	(In thousand tonnes) Demand	Public Distribution.
1	2	3
Andhra Pradesh	311·15	311
Assam	250	227
Bihar	1440	402
Gujarat	1366	686
Harayana	285	116
Himachal Pradesh	94·5	26
Kerala	969·4	844
Mysore	515·4	317
Madhya Pradesh	408·5	287
Maharashtra	3093	2145
Manipur	41·2	26
Meghalaya	58·5	38
Nagaland	22·9	20
Orissa	210	221
Punjab	255	233
Rajasthan	1060	377
Tamil Nadu	340	290
Tripura	80·3	52
Uttar Pradesh	964	568
West Bengal	2020	1701
Andaman and Nicobar Islands	12·3	13
Arunachal Pradesh	12·6	9
Chandigarh	27·8	Neg.
D & N Haveli	4·80	1
Delhi	564	384
Goa, Daman and Diu	85·08	48
Laccadives etc. Islands	0·25	3
Jammu and Kashmir	206	192
Pondicherry	3·20	17
Defence Services	254·2	196

1	2	3
Mizoram	20·5	16
Others	92·4	47
TOTAL	15069·05	9813

Note: Neg. means below 500 tonnes. Distribution figures for July, August, September and October are stated to be subject to revision.

2.73. It is noted that there is no uniformity in the correlation between demand and public distribution. For instance, while in the case of Kerala, Andhra Pradesh and Orissa, the public distribution equals the demand, in the case of Bihar and Rajasthan it is roughly one third of the demand. Government have stated that since the allotments of foodgrains to the State Governments are required to be made after taking into consideration a number of factors, it is not possible to establish any uniformity or correlation in regard to the demands and level of public distribution in a particular State. The foodgrains availability in a particular State as well as requirements of the public distribution not only undergo changes with the arrival of new crops according to the copping pattern which vary from State to State, but also vary with the price situation prevailing in the State. Also, in determining allotment, the food situation prevailing in any particular state has to be kept in view to meet unforeseen demands due to natural calamities and emergencies prevailing at any given point of time.

2.74. It was pointed out to the representative of the Ministry of Agriculture during evidence that the Committee had formed the impression during their on-the-spot visits to the States that the public distribution system was not functioning satisfactorily as the State Governments were not in a position to make available adequate quantity of foodgrains. In reply he stated:

> "Whether the public distribution system has succeeded or failed has to be seen in the context of the total quantity of foodgrains distributed under the system.
>
> During 1970, 8.8 million tonnes of foodgrains were distributed, in 1971, about 7.8 million tonnes were distributed; in 1972, it was stepped up to 10.5 million tonnes and in 1973, the distribution was of the order of 11.4 million tonnes. You will see that, progressively, depending on agricultural situation, the total volume of foodgrains distributed through the public distribution system has been stepped up.

So far as individual States are concerned, in States like Kerala, West Bengal, Gujarat and Maharashtra which are deficit States, within the availability of stocks, their requirements to the extent possible have been fully met.

The difficulty that has been created is due to a number of factors. One should see the food situation as it prevailed in the previous two years. Despite having a, more or less, normal level of production and market availability of foodgrains, there has been a certain pronounced tendency on the part of people to hoard foodgrains at various levels. Though we have substantially stepped up our volume of distribution of foodgrains in this kind of a situation, it has not been possible to step up beyond this limit because of the stock position."

2.75. The Committee observe from the data placed before them that the public distribution system has not been able to meet fully the demands of the States for food while the pressure on the system is increasing on account of non-availability of wheat in the open market at the prices fixed by Government and the high prices prevailing in the open market in respect of rice and coarse grains. They also observe that the demands from the States for their public distribution system are being met from the Central Pool in an ad hoc manner. The criteria for allotment of foodgrains namely seasonal conditions, assessment of crops and prevailing market conditions etc. are such as to leave a very wide discretion in making allotment to individual States. While the Committee appreciate the inability of Government to meet the increasing demands of the States in full on account of the unsatisfactory stock position, they would recommend that, in order to avoid any criticism of the distribution of available stocks as between different States inter se being arbitrary, Government should evolve certain definite criteria for examining the demand from States and for making allotments, say, the assessed requirement of the State in terms of population covered by the public distribution system, production of foodgrains within the State, the stocks with the State Government and the Central Government stock position the prices obtaining in the open market etc. The Committee would like Government to evolve these criteria in the light of experience gathered over the years and in consultation with State Government. A copy of these criteria should be laid on the Table of Houses of Parliament and widely publicised to obviate any misunderstanding and gain public support

Distribution System

2.76. At present two parallel systems of distribution of foodgrains are working in the country: the open market and the public distribution system. The latter comprises the statutorily rationed areas and areas under informal rationing through a system of Fair Price Shops. At present statutory rationing is in force in Greater Bombay in Maharashtra in respect of rice, jowar and milo and in Calcutta, Asansol & Durgapur Industrial Complex in West Bengal in respect of rice, wheat and wheat products (except suji). The details are given below:

Statutorily rationed areas	No. of Ration shops functioning at present	Population covered (in lakhs).
Greater Bombay	1913	83·0
Calcutta, Asansol & Durgapur Industrial Complex .	2682	87·9

The remaining States/Union Territories are covered by informal rationing.

Per head Quantum of foodgrains issued

2.77. In the statutory rationed areas, the State has the full responsibility for supplying the rationed quantity of foodgrains to the entire population covered under the system. In the statutory rationed areas of Calcutta and Bombay (rice only), the quantities prescribed per adult individual by the State Governments are as under:—

	Rice	Wheat
Calcutta	1000 gms. per week	1000 gms. per week.
Bombay	1500 gms. per month	

In other areas where the public distribution of foodgrains is through fair price shops, the quantum of foodgrains issued to the card holders is decided by the State Governments, taking into account the availability of foodgrains in the market, stocks available and other factors.

2.78. Replying to the question whether it was feasible to fix certain norms in regard to monthly quotas per adult/child at the all-India level with a view to minimise the disparities in per head quotas as between different States and between different areas in

the same State, Government have stated that in areas where informal rationing prevails, supplies from the public distribution system are intended to supplement the availability in the open market. Since the supplies, particularly the per capita availability, in the open market vary from State to State, region to region in a State as well as rural and urban areas, no uniform norms can be fixed for releases from the public distribution system for the entire country. It is left to the discretion of the State Governments to determine the quantum of issues, depending upon local conditions.

2.79. During evidence, the representatives of the Ministry of Agriculture stated:—

> "The distribution of foodgrains through the fair-price shops continues to be the responsibility of the State Governments. Depending on the situation prevailing in the State they decide the quantity of foodgrains to be issued. If, within the same State there are certain areas where there is a need for giving additional quantities because of acute deficit or scarcity conditions prevailing there, the State Government adjusts the quantity suitably. By and large, the system has been operating on a basis where the State Governments have got the discretion to adjust the quantity of foodgrains to be issued but the over-all quantum is fixed on the basis of the stocks that are procured and the quantity received from the Central Pool.
>
> So far the norms are concerned, in a relatively normal situation when Government had adequate stocks and the general food condition in the country was also good, it has been, by and large, around 7 to 8 kg. per individual per month. This has been more or less the norm but strict adherence to this norm in all cases has not been possible because of the varying situations and circumstances and this question is periodically reviewed by the State Governments and the necessary adjustments are carried out."

Number of fair price shops

2.80. From the statement showing the number of fair price/ration shops and the population covered by these shops furnished to the Committee, it is observed that the correlation between the number of fair price shops and the population covered in a State is not uniform in all the States. While in Andhra Pradesh, there are about 12000 fair price shops for a population of 435 lakhs, almost as many shops in Kerala cover a population which is less than half of that

of Andhra Pradesh. The number of fair price shops in West Bengal and U.P. is almost the same though the population covered in U.P. is one and a half times more than that of West Bengal.

2.81. Government were asked to state whether it was possible to bring about uniformity in this regard by laying down, on all-India basis, norms of coverage per fair price shop, keeping in view the interests and convenience of the consumers. They have, in reply stated that the distribution of foodgrains is the responsibility of the State Governments. The number of fair-price shops in the States depends mainly upon the availability of foodgrains i.e., whether it is a surplus or a deficit state. In a surplus state, the number of fair price shop would be relatively less than in a deficit State. Also, depending on whether a State is surplus or deficit in foodgrains, within a State the number of a fair price shops and their coverage in urban areas may be different from that in the rural areas. Similarly, in certain inaccessible areas, it may be necessary to open fair price shops for covering lesser number of card holders than that covered by fair price shops opened in accessible areas which are otherwise well located. Therefore, no correlation could be established between the number of fair price shops and the population covered within the State and between the States.

2.82. It is further stated that for determining the number of fair price shops, the State Governments take into account the number of units to be attached to such shops which would enable them to run as economically viable units. In view of the varying conditions prevailing from one State to another and within a State from one area to another, Government do not consider it practicable to lay down, on an all-India basis, norms of coverage for each fair price shop. It is therefore, left to the discretion of the State Government to open fair price shops, taking into account the local conditions and other relevant factors. Under the present system, flexibility in the foodgrains distribution is achieved either by expanding or contracting the number of fair price shops, depending on the availability of foodgrains and their prices in the open market. Under statutorily rationed areas, since a particular quantum of foodgrains is required to be issued to the entire population, certain norms are followed by the State Governments.

2.83. The Committee note that the quantum of foodgrains issued to the card-holders from fair price shops varies from State to State and also between different areas in the same State, depending upon the availability of foodgrains in the market etc. They note that it is left to the State Governments to determine the quantum of issue depending upon local conditions. The Committee feel that since the foodgrains requirements of State Governments are largely met from the Central Pool, it would be desirable if the quantities of food-

grains distributed through the public distribution system on ration cards, are uniform to the extent possible. The Committee recommend that Government should examine the feasibility of laying down certain basic, guidelines in regard to the foodgrains to be issued per consumer unit as has been done in the case of sugar.

Quality of foodgrain issued through Fair Price Shops

2.84. Complaints were received by the Committee that the quality of foodgrains issued by the Fair Price Shops was unsatisfactory. In this connection representative of the Ministry, during evidence, stated that the procurement of foodgrains was done on the basis of certain standard specifications and at the time of issue, fairly average quailty foodgrains were issued. But, according to him, "at the retail distribution level, certain malpractices are taking place."

2.85. The Committee are informed that at the retail distribution level certain malpractices are taking place regarding the quality of foodgrains issued to card holders. The Committee would like Governments to ensure that their distribution agencies insist upon taking from the Food Corporation of India, foodgrains of "fair average quality" and promptly report to appropriate authorities if the supplies are of inferior quality. The inspection machinery should also be tightened to see that foodgrains are not adultrated in the course of distribution to the consumers. The Committee also recommend that provision may be made in the Essential Commodities Act for a severe punishment for adulteration of essential commodities including foodgrains in the course of their distribution. They would also like Central Government to take such other measures as may be required to prevent adulteration of foodgrains in the course of their distribution through the public distribution system and inform the Committee of th action taken by them in this regard in due course.

Reasons for spurt in production in the "Wheat Belt" of India

2.86. There has been a rapid increase in the production of foodgrains in the States of Punjab and Haryana and in Western U.P. During the period from 1965-66 to 1971-72, the total production of foodgrains had increased from 19.77 lakh tonnes to 45.3 lakh tonnes in Haryana, from 34.53 lakh tonnes to 79.00 lakh tonnes in Punjab and from 133.11 lakh tonnes to 179.50 lakh tonnes in U.P. The following reasons have been indicated for the spurt in foodgrains production in these states:

1. *Introduction of high yielding varieties*:

The high-yielding varieties, particularly in the case of wheat, rice and bajra, have been successful in this area and the coverage under them has been increasing year by year.

In Punjab these varieties account for about 75 per cent of the total area under wheat and rice and 50 per cent of the total area under bajra. In Haryana, the coverage under these verieties is to the extent of 67 per cent of the total area under wheat, 35 per cent of the total area under rice and 25 per cent of the total area under bajra. Similarly, in Western U.P. also the percentage of the area under high-yielding varieties to the total area under the respective crop, is very high.

2. *Development of minor irrigation facilities*:

There is a net work of tubewells and pump-sets in this Region. These controlled irrigation facilities have made possible proper water management at critical stages of the crops which is lacking in many other areas. Secondly, due to controlled irrigation the pest and disease problem is also not so acute even during the Kharif season.

3. *Progressive out look of farmers*:

The farmers of the Region being progressive are taking full advantage of the new production technology. They are adopting the recommended package of practices, particularly balanced and proper application of fertilisers.

4. *Emphasis on Rabi Crops*:

In these States there is more emphasis on Rabi crops which account for about 60 per cent of the total foodgrains production in the region. Experience has proved that the Rabi crops are more secured as they are not wholly dependent on monsoon. This is also one of the major reasons for the comparative stability of the foodgrains production in these States even in the year of draught.

5. *Better prices of wheat and rice at harvest time*:

2.87. The Prime need at the moment is to maximise food production so that the requirements of ever growing population could be adequately met. The Committee feel that having regard to the experience of Punjab, Haryana and Western U.P. it should be possible to increase food production in other State also by concerted efforts which would make available in time certified seeds of high yielding varieties, requisite inputs like fertilisers, assured water supply to meet the crop requirements etc. The Committee would urge upon the authorities responsible for development of agriculture to study in detail the methods employed for achieving food production in the 'Wheat Belt of India' and help create similar facilities in other State so that farmers could maximise food production in their own as well as in the larger interests of the country.

CHAPTER III

SUGAR

(a) Availability

Demand and Production

3.1. The estimated demand of sugar in the country during 1973-74 is assessed as 43 lakhs tonnes. By the end of the 5th Plan period (1978-79), it is expected to rise to 60 lakhs tonnes.

Licensed and Installed Capacity for Production and Actual Production

3.2. The following data has been furnished to the Committee regarding the licensed and installed capacity and the actual production of sugar in the country;

	Lakh Tonnes		
	Licensed capacity	Installed capacity	Production
1969-70		35·56	42·62
1970-71		37·00	37·40
1971-72		39·07	31·12
1972-73	55·47	41·42	38·72
1973-74			45·00 (Estimated)
1978-79			60·00 (Estimated)

Assessment of requirements

3.3 During evidence, the representative of the Ministry of Agriculture was asked to indicate the assessed requirements of sugar (both for the urban and rural population) for each State and the extent to which these were being met in respect of each State. He replied;

> "There was no opportunity to make any such assessment. The reason is that since 1963 we have had the system of control of sugar all along. Even during the brief period of about six months when there was de-control in 1971

the release of sugar was controlled by Government. To put it briefly, the policy was one of adjusting the release within ithe total availability."

He, however, added that the production during 1969-70 was 42.6 lakh tonnes and the open market prices were in some areas lower than the levy prices. Yet, the total off take in the following year (1970-71) was of the order of 40 lakh tonnes only. This amounted to a *per capita* consumption of about 7.3 kilos per year which worked out to about 600 grammes per month. This, according to him, was "a rough indication of what would be the requirement in free availability conditions".

3.4. The Committee regret that at present no systematic method is being followed for assessing the requirements of sugar for the country and the reason given out to the Committee is, hitherto Government had no opportunity to make any such assessment. The Committee recommend that a suitable method for assessing the requirements of sugar in the country, not only for consumption in the urban and rural areas but also for export, should be introduced so as to facilitats meaningful planning for making the requisite quantity of sugar availabile to the consumers and also for exports.

Year-wise Targets

3.5. It is stated that no year-wise targets of capacity and production of sugar either for the year 1973-74 or for each year of Fifth Five Year Plan have been fixed. Government, however, expect that the installed capacity for production of sugar may increase by 2.00 to 2.50 lakh tonnes during 1973-74.

3.6. During evidence, the representative of the Ministry was asked the reason for not fixing the year-wise targets on the basis of projected requirements. He replied:—

"Even under the present system of our fixing targets for a Five Year Plan period, the pace of implementation is falling short of the achievement of the target. For example, in the Fourth Plan itself, there is a backlog of implementation by 13 lakh tonnes. We feel that no particular advantage will be derived by fixing annual targets within the Five Year Plan period."

3.7. A subsequent note furnished to the Committee indicated the reasons for not fixing year-wise targets for capacity and production of sugar as follows:—

"There is already about 13 lakhs tonnes of licensed capacity remaining unimplemented due to various difficulties, es-

pecially in the procurement of iron and steel. The applications on hand for grant of licences either for new factories or for expansion of existing ones are also quite large in number and according to the existing instructions, these have to be processed according to a tight time frame. In these circumstances it is considered that no particular advantage would be derived by fixing annual targets for licensing in the Fifth Plan.

The installed capacity in the sugar industry is based on the licensed capacity and the capabilities of the new entrepreneurs to bring the plants into commission. This again depends upon finance, procurement of plant and machinery, iron and steel etc. In actual practice, the implementation of the licensed schemes does not go according to schedule due to these difficulties. Therefore, it has also not been possible to fix year-wise targets of installed capacity.

The production of sugar depends on (1) installed capacity in the sugar industry, (2) total production of sugarcane in the country and (3) the availability of sugarcane for crushing in the factories *vis-a-vis* the requirements of gur and Khandsari manufacturers. Due to fluctuations in sugarcance production from time to time on account of climatic conditions and demand for sugarcane from the other sweetening agents suh as gur and Khandsari, sugar production in actual practice was not in consonance with the installed capacity. Therefore, it was not possible to fix year-wise target of sugar production also."

Licensing of further capacities

3.8. Replying to the question during evidence as to what incentives were being given to the entrepreneurs for setting up new sugar factories, the representative of the Ministry of Agriculture stated that Government were not giving any incentives as such; yet the number of licensing applications being received far exceeded the targets that have been set for licensing.

3.9. Dealing with the suggestion that in licensing new capacities, preference should be given to expansions which were less costly, could be effected more speedily and required lesser steel as compared to new installation, the Government have in a note submitted to the Committee stated that applications received for affecting expansion "are considered on priority basis and grant of licences is being recommended subject to the availability of sugarcane in the existing factory area". It is however maintained that:—

"establishment of new sugar factories has also its importance in a country like India which is predominantly agricul-

tural and there are many pockets of sugarcane which require economic disposal. Besides, establishment of new factories in more of the backward areas trigger the improvement of rural economy bringing about an overall prosperity of the area in which the factory is located.

Therefore, expansion of existing sugar factories and establishment of new factories are both important."

Delay in implementation of Licensed Capacities

3.10. During 1972-73, the licensed capacity under implementation was 14.05 lakh tonnes (58 New Factories: 9.94 lakh tonnes and 34 Expansions: 4.11 lakh tonnes). Government have submitted to the Committee the details of the capacities under implementation. A study of the information shows the following position:

New Sugar Factories

Letters of Intent issued and pending since		Licences issued and pending since	
1970	3	1956	1
1971	8	1957	1
1972	3	1966	1
1973	11	1967	1
		1970	10
TOTAL	25	1971	2
		1972	11
		1973	6
		TOTAL	33

Expansions

Letters of Intent issued and pending since		Licences issued and pending since	
1969	1	1956	1
1973	2	1961	1
		1965	3
		1966	3
TOTAL	3	1969	1
		1970	11
		1971	3
		1972	5
		1973	3
		TOTAL	31

Reasons for Delay

3.11. The reasons for delay in the implementation of licensed capacities were indicated by the representative of the Ministry of Agriculture during evidence as follows:—

> "We have made a special study in depth of the reasons for the shortfall in implementation. The reasons are mainly delays in capital formation by the co-operatives who are given preference in licensing; secondly, the non-availability of steel which is an impotrtant article for putting up the mills, and thirdly the machinery manufacturers not having been able to supply machinery to the plants in required numbers."

Other reasons indicated are non-availability of critical equipments like turbo-jets, boilers, steel castings, etc. and the need for better management techniques.

3.12. It was stated that no year-wise schedule for installation of the capacities under implementation has been fixed. However, according to the present trend of installation of factories, capacity to the tune of about 2 to 2.50 lakh tonnes of annual sugar production is installed every year. Asked to state how, in the absence of schedules for completion of projects, it was ensured that the entrepreneurs were taking minimum time for implementing the licences issued, Government have in a note furnished to the Committee stated:

> "The progress made by the entrepreneurs of new sugar factories and the factories having licences for effecting substantial expansion is watched constantly from the time an industrial licence is issued. In the case of new factories which are mostly in the cooperative sector, assistance is rendered for enabling them to raise the share capital from the growers as well as from the State Governments and also for approaching the IFC for obtaining term loan assistance and placing of orders for plant and machinery on the machinery manufacturerers. Thereafter, assistance is also given for procuring the required quantity of iron and steel and other construction materials. The progress of the new entrepreneurs is reviewed at the periodical confrontation meetings held in this Department with the entrepreneurs, sugar machinery manufacturers and the representative of the State Governments and financial institutions etc. and difficulties being experienced by them are identified and solutions sought in order to ensure that the licensed capacity is implemented in the quickest possible time."

3.13. The Committee are informed that no yearwise targets of capacity and production have been laid down by Government for the sugar industry but Government expect that the installed capacity may increase by 2 to 2.5 lakh tonnes annualy. The Committee note from the data furnished in regard to the letters of intent and industrial licences pending implementation that licences issued as far back as 1956 are still in the process of implementation. The Committee are unable to understand why letters of intent and licences have been allowed to remain unimplemented for as long as 18 years and no steps were taken to cancel them and issue fresh licences to new entrepreneurs who had the capacity and resources to implement them within the stipulated time. The Committee recommend that Government should review the licences and letters of intent pending implementation for a long time and take steps as necessary in the interest of early implementation of licenced capacities. The Committee also recommend that yearwise targets be laid down, as is being done in the case of other industries, for licensed capacity, installed capacity and production and Government should ensure that these targets are actually fulfilled.

Under-utilisation of Installed capacity

3.14. The actual production of sugar has been much less than the installed capacity during the years 1971-72 and 1972-73. Asked the reason for the under-utilisation of installed capacity, it is stated that the production of sugar does not depend upon the installed capacity alone. It depends mainly upon (1) the total availability of sugarcane and (2) the availability of cane for crushing in the sugar factories *vis-a-vis* gur and khandsari. The reasons for the low production during 1971-72 and 1972-73 was, it is stated, mainly the reduction in the total production of sugarcane and the reduction in the availability of cane to factories.

3.15. It is further stated that all possible steps are being taken t make fuller utilisation of the installed capacity in the sugar industry mainly by development of sugarcane in the factory areas an providing incentives to the cane growers for maximising their production and also increasing suplies of sugarcane to the factories

Availability of sugarcane for Sugar Mills

3.16. It has been suggested in a Memorandum to the Committe that as the availability of sugarcane to the three competing industries namely Sugar, Khandsari and Gur, depends upon their relative capacity to pay higher prices for cane, normal parity should maintained in levying excise duties on these industries. A reque has been made in another Memorandum that "greater wieghta and preference to sugar manufacture over Gur and Khandsari P

ducers', should be given. Asked to indicate their reactions to the suggestions, Government have stated that unlike the sugar industry which is organised one, the Gur and Khandsari manufacture is a small scale and village industry and numerous individual cane-growers are involved in its manufacture. Apart from their having to be given special consideration, there are also practical difficulties in collecting excise duties from them, more so in the case of gur manufacturers. In the case of Khandsari manufacturers also, compounding of duty for collection is inevitably the feature.

3.17. The Committee note that the actual production of sugar has been much less than the installed capacity during the years 1971-72 and 1972-73. They are informed that the utilisation of the installed capacity in sugar industry depends mainly upon the availability of sugarcane for crushing in sugar factories. The Committee would therefore like Government to take appropriate measures to ensure the supply of sugarcane to factories in sufficient quantities so that the installed capacity for manufacture of sugar is fully utilised.

Prospects of availability during 1973-74

3.18. During evidence the representative of Government was asked as to when the sugar availability position was likely to improve so that the fully requirements of the State Governments could be met and the consumer might have a relief from the distorted price level prevailing in the wake of shortage of this commodity. He replied that although the production (during 1972-73) was 25 per cent more than the previous year "it was more than absorbed by the poor carry forward from the previous year" and as such "the total availability in the last year (1972-73) was practically the same; in fact it was slightly less." This year also, he said, the production was expected to be very good in spite of the damage caused to the corp" and it was expected to be near about 45 lakh tonnes.

Buffer Stock

3.19. During evidence, the representative of the Government was asked to indicate the Government's policy regarding the creation of a buffer stock of sugar to be used in emergency and also for regulating supplies and prices in open market. He stated that two years ago, when the production of sugar was about 31 lakh tonnes the building up of a buffer stock was accepted by Government as a matter of policy. Since then, the production had increased appreciably as a result of various measures taken by Government, so much so that the production during current year was expected to be near about 45 lakhs tonnes.

3.20. The Committee are glad to note that the production of sugar during 1973-74 is likely to be about 45 lakh tonnes against the demand of 43 lakh tonnes. If the expected production during the current year is realised, the Committee hope that Government will not only be able to make larger allotments of levy sugar to the States to meet the demand but would also take steps to build sufficient buffer stock for use in case of future emergencies. The Committee need hardly stress that in view of wide fluctuaions in the production of sugar in the past Government should not lose the opportunity to build a buffer stock of sugar to the extent possible during the current year.

Export of Sugar

3.21. Export of sugar is made out of the levy sugar and is regulated under the following agreements:—

(1) *International Sugar Agreement*, 1968: Under this Agreement, which was valid up to 31st December, 1973, India could export sugar to World Market to the extent of 250,000 metric tons raw value (MTRV). Pending the conclusion of a new International Agreement, with effect from 1st January, 1974 export of sugar to world markets (other than U.S.A. and U.K.) will be under an "Administrative Agreement" which is valid for two years from 1st January, 1974 with a provision for its extension if necessary. Under the Administrative Agreement, there is no quota restriction on export of sugar for any country and India is free to export as much as it can during 1974 and 1975.

(2) *Commonwealth Sugar Agreement*: Under this Agreement India has been assigned the Negotiated Price Quota of 25,400 tonnes for export to U.K. for which it would get a fixed guaranteed price. This quota is valid upto 31st December, 1974.

(3) *U.S. Sugar Act*: Under this Act, U.S.A. has allocated to India a quota of about 74,000/75,000 tonnes for export to U.S.A. This quota is also valid upto 31st December, 1974.

3.22. The export of sugar to international markets is regulated by agreements and quotas which are negotiated/allocated on year to year basis. It is stated that the exports are made "keeping in view the sugar production in the country, quotas under the various international sugar agreements and the requirements for consumption in the country".

Quantity Exported

3.23. The quantity of sugar exported and the average subsidy paid by Government therefor during the last 3 years has been indicated as folows:—

Year	Qty. exported (Lakh Tonnes)	Average subsidy paid by Government (Rs. per quintal)	
1971	3·26	29·04	
1972	0·99	NIL	Entire loss met by the Industry under the provisions of Sugar Export Promotion Act, 1958.
1973 (upto to 30-9-73)	0·97	NIL	

Indian Sugar Industry Export Corporation Limited, New Delhi is the export agency for physical handling of export of sugar.

Reasons for Export at loss

3.24. Government was asked to state the negotiated price per quintal at which sugar was being exported to U.S.A. and U.K. In reply it is stated that under the Commonwealth Sugar Agreement, a fixed price is paid for Negotiated Price Quota of 25,400 tonnes. Under the 1971 review, this price for 1972, 1973 and 1974 has been fixed at £50 per ton plus a variable element ranging from £11 to 7 per ton related inversely to the London Daily Price (LDP). On the basis of the present world prices, India will get £57 per ton. The exports to USA are made on the basis of the average of the Daily Spot Prices under Contract No. 10 as published by the New York Coffee and Sugar Exchange Inc. during a specified period. The per quintal prices realised from exports of sugar to U.K. and USA during 1972 & 1973 are as under:—

Country	1972 (Rs. per quintal)	1973 (estimated) (Rs. per quintal)
U.K. (NPQ)	108	108
U.S.A.	131	139

3.25. Government was also asked to state the justification for export of sugar at a loss. It is stated that to earn the maximum foreign exchange, every country has the need to export whatever commodities it can and the exportable items in each country are restricted to a few. Sugar is one of such items as far as India is concerned as it has a vast expanding potential which would result

in earning sufficient foreign exchange in due course of time. With this end in view, India entered into international market. Generally, due to world production being more than the demand, the international prices have been lower than the cost of production in most of the countries. Export of sugar was, therefor, subsidised by all the developing countries to earn foreign exchange. In order to keep our foot-hold in the international market and to earn the much-needed foreign exchange, it was considered desirable to export sugar on a regular basis even at a loss. It is further stated that all along, India had the advantage of getting better prices than the international prices for its exports to the preferential markets in the UK and USA and it is only since 1973, that the UK and USA prices are lower. It is maintained that "it does not behove our national status to fail to honour our commitments to these two countries on account of the recent reversal of advantage in the last two years of the Agreements".

3.26. The Committee note that Government have to export sugar at a loss because world production being more than the demand, the international prices are lower that the cost of production. While it may be necessary to export some sugar to earn foreign exchange in the context of increased pressure on the foreign exchange resources on account of the energy crisis, the Committee would like Government to determine the quantum of export in the light of the fact that sugar has to be exported at a loss when indigenous production is required not only to meet the domestic demand for this essential commodity but also to build adequate buffer stock. . .

Production of Sugarcane

3.27. The estimated production of sugarcane by the end of the Fourth Plan period (1973-74) is 134 million tonnes. It is stated that taking into account the likely per capita consumption of sugar, gur and Khandsari, estimated sugar for purposes of export and buffer stock and cane required for seed purposes, the requirement of sugarcane by the end of Fifth Plan (1978-79) is estimated at 170 million tonnes, the break-up of which is given below:—

	Estimated requirement of cane in million tonnes at the end of	
	Vth (1978-79)	Plan
1. Sugar for internal consumption. .	55·3	60·3
2. Sugar for buffer stock & Export .	5·0	
	60·3	
3. Gur and Khandsari :		89·2
4. Seed, chewing etc. : . . .		20·5
		170·0

3.28. The target of 170 million tonnes (or an additional production of 36 million tonnes) of sugarcane by the end of the 5th Plan period is sought to be achieved by increasing the area and also by increasing caneyield per unit area. The area under cane from base level of 2.8 million hectare is proposed to be raised to 3.2 million hectares and yield of cane from 48 tonnes|hectare to 53 tonnes|hectare by the end of the Fifth Plan i.e. 1978-79.

3.29. So far there is no Centrally Sponsored Scheme on Sugarcane Development in the Country. Development of Sugarcane is undertaken by the State Governments from their own sources. It is proposed to launch a Centrally Sponsored Scheme for the development of sugarcane at a total allocation of Rs. 15 crores during the Fifth Plan period. The programme envisages to cover 2000 hectares around each sugar factory in the sub-tropical region and 1000 hectares block in tropical region under intensive development of cane by the end of Fifth Plan. The programme would include (i) Quality seed production and distribution, (ii) Demonstration, (iii) Training to cane development workers at State level, (iv) Plant Protection Measures, (v) Factories and privision of technical staff for successful implementation of the schemes in States.

3.30. The Committee note that at present there is no centrally sponsored scheme on sugarcane development in the country and that one such scheme is contemplated for the Fifth Plan period with a total allocation of Rs. 15 crores. The Committee trust that the scheme would be finalised without further delay and implemented in the field so that the production of sugarcane in the country during the Fifth Five Year Plan reaches the targets laid down for the plan period.

Price of sugarcane

3.31. It has been suggested to the Coommittee by a non-official organisation that the minimum Cane price should be fixed on a realistic, statutory and triennial basis and it should be such "that the farmer is assured of a reasonable return for his efforts and must compare favourably with the realisations that may accrue from other crops." Dealing with the suggestion during evidence the representative of the Ministry of Agriculture stated:

> "These considerations are already held, by and large, in view while we fix the minimum cane price. The minimum cane price, at present, under the prevailing conditions, has proved to be only a notional price. The cane growers' are getting much higher prices in most of the areas and

consequently, the area under cane is also progressively going up."

Asked as to why the prevailing price was not being given a statutory basis, he said:

"In fixing the price of levy sugar, we take, under the provisions of the statute, what the statutory minimum price for cane is. If we fix the minimum cane price, statutorily, to accord with the conditions which prevail in practice, it will mean much higher sugar price statutorily. Correspondingly, retail sugar price will go up....roughly every one rupee increase per quintal in the statutory cane price will mean about ten rupees increase in the price of sugar, per quintal. This will upset the balance between the various commodities."

3.32. He was further asked whether any long term policy had been fomulated by Government to fix the price of sugarcane so as to prevent the diversion of acreage under sugarcane to other crops. In reply he stated:

"The present policy of partial control on sugar is helping us to achieve the objective. Under it the industry is actually in a position to pay much higher prices for the cane which they purchase for crushing. For example, take the case of Uttar Pradesh. They are paying Rs. 13.25 per quintal this year in areas west of Lucknow and Rs. 12.25 per quintal in areas east of Lucknow. This is about Rs. 4 to 5 more than the notified price. This way, the industry is able to command much larger availability of cane than would have been possible. The success of this policy of partial control is already seen."

Proportion of Levy Sugar and Free Sale Sugar

3.33. In the case of sugar, a dual market is operating. The sugar mills are required to deliver a certain percentage of their production to the nominees of the State Government or the Food Corporation of India at a fixed price. This part of their production is termed as "Levy Sugar". Levy sugar is largely meant for distribution through the public distribution system. A small part is also utilised for meeting the export requirements, for issue to defence forces, pharmaceutical industries, export oriented processing industries etc. The balance production the mill can dispose of at the prices and markets of their choice to the recognized dealers only. This is of course subject to release by the Central Government. This portion

of their production is known as "Free Sale Sugar". At present the proportion between Levy and Free Sale Sugar is 70:30. The proportion of Levy Sugar was enhanced from 63.5 to 70 because of shortfall in production of sugar during 1971-72.

Price of Free Sale Sugar

3.34. There is no control on the prices of "free sale sugar". It was pointed out that in view of the fact that the public distribution system covered only a fraction of the population and the quantity issued at a comparatively low price had to be supplemented by purchases from the open market, a strict watch was necessary on the market price of "free sale sugar". As to the cause for a rise in the price of free sale sugar, Government have stated that the reduction in free sale sugar percentage coupled with the imperative necessity which the industry faced for paying higher prices for cane than the notified minimum in many areas, pushed up the sugar prices in open market.

3.35. Regarding regulation of price, it is stated that "the prices of free sale sugar are regulated through the mechanism of increase or decrease of the monthly releases from the factories within the limits of availability." During evidence, the representative of the Ministry of Agricuture pleaded the low production of sugar during 1971-72 and lesser availability of sugar in 1972-73 as the reasons for not releasing adequate quantities of 'Levy sugar' so as to bring down the prices of free sale sugar.

3.36. It is further stated that in order to check the rise in prices, it is necessary to bridge the gap between demand and supply as early as possible. Measures being taken to that end are indicated as (i) excise rebate on increased production (ii) accelerating the commissioning of new capacities, and (iii) fostering cane development. To check 'hoarding and profiteering, the following instructions have been issued to the State Governments:—

(a) to reduce the quantitative limits for licensing of dealers wherever they are high.

(b) to maintain a constant vigil, both on the sugar factories and the dealers within state jurisdiction to ensure that the limits of holding of stocks by dealers and on sale and despatch by factories, are not contravened and award examplary punishment wherever such contraventions are detected.

(c) to strengthen and streamline the distribution machinery and more particularly ensure that ration cards are issued

to domestic consumers, so that levy sugar is distributed only to entitled persons and not diverted for sale in the open market.

(d) to restrict the issue of levy sugar principally to domestic consumers and avoid issue of special permits for occasions like marriage, etc.

(e) to arrange for frequent and surprise checks of the registers and accounts of the fair price shops authorised to sell levy sugar.

(f) to ensure that fair price shops distributing levy sugar do not also deal in free sale sugar.

3.37. In a subsequent note furnished to the Committee, Government have indicated the reasons for the rise in prices despite the aforesaid measures having been taken. According to the note:

"The price of sugar in the open market depends upon various factors, viz availability, cost of production, demand and supply. The cost of production of sugar keeps rising. Under the system of partial control of sugar, the industry is expected to pay much higher cane prices than the minimum prices notified by the Government of India and recover the excess paid from their higher realisations from sale of free sale sugar. The demands for higher prices by cane-growers also keep rising.

Though there was higher production of 38.72 lakh tonnes in 1972-73 (Oct-Sept.) the total availability of sugar during the year was 44.71 lakh tonnes as against 45.23 lakh tonnes in 1971-72 and 58.30 lakh tonnes in 1970-71, because of lower carry-over stocks from the previous years. Hence monthly releases of sugar during 1972-73 seasons had to be made on restricted basis. The releases during 1973-74 have been liberalised only to a small extent. Further, there is an overall rise in the cost of production. Taking into account the revised cost schedules recommended by the Tariff Commission in its latest report (Sept. '73) on the cost structure of sugar industry, the Government had to revise the ex-factory prices of sugar w.e.f. 15-12-1973. These revised prices should have normally resulted in an increase in the uniform retail prices of levy sugar for the consumers all over India by about 10 paise a Kg. The Government of India, however, decided to maintain the consumers

price of levy sugar unchanged at the level of Rs. 2.15 per Kg. effective from 1-12-1972, throughout the country by reducing the excise duty on levy sugar from 26 per cent to 20 per cent ad-valorem. To off-set the loss of revenue arising consequently, the excise duty on free sale sugar has been raised from 30 per cent to 37.5 per cent ad valorem. On account of these factors, there has been an overall increase in the free market prices."

3.38. Government was asked whether there was any possibility of the retail price of free sale sugar coming down in the near future and whether any measures were contemplated with this end in view. In reply it is stated that it is only by improving the quality of cane and its yield and the manufacturing efficiency of the factories that the retail price of free sale sugar can be kept within reasonable limits. Government, however, consider it doubtful whether under the prevailing general inflationary trends, the price can come down in the near future, though it may be possible, in their view, that the unjustified rise in the prices of free sugar which occured recently may be neutralised.

3.39. The Committee are informed that the levy sugar issued to the consumers through the public distribution system has to be supplemented by purchases from the open market. It is, therefore, necessary that the price of free-sale sugar is reasonable and within the paying capacity of common man. According to the present policy, however, Government have no control over the price of free sale sugar and in fact the burden of excise duty has fallen more on the free sale sugar than on the levy sugar. The Committee recommend that Government should also keep a close watch over the prices of free sale sugar in the open market and if the prices show an abnormally high trend, effective measures should be taken immediately to keep the prices at a reasonable level.

Procurement Price of Levy Sugar

3.40. The prices of levy sugar are fixed by Government in accordance with the provisions of Section 3(3C) of the Essential Commodities Act, 1955, taking into consideration the recommendations of the Tariff Commission for computing the manufacturing cost of sugar, and the following factors:

(a) the minimum price fixed for sugarcane by the Central Government under this Section;

(b) the manufacturing cost of sugar;

(c) the duty or tax, if any paid or payable thereon; and

(d) the securing of a reasonable return on the capital employed in the business of manufacturing sugar.

3.41. Government have created 16 zones for the purpose of fixing the ex-factory prices and different prices have been fixed for different zones. Within the Zone, each factory has to deliver the levy sugar at the prices fixed for the zone irrespective of the cost of production of individual factories located in the Zone.

3.42. A non-official organisation had suggested to the Committee that the Zonal prices of levy sugar should be fixed "on the basis of the cost of the marginal unit in the zone" and not or the basis of "average recovery and duration of the season" in the zone as under this system factories whose recovery and duration were below the average in the zone stand to loss. In regard to this suggestion, Government have stated that the existing system of fixing prices on zonal basis helps to check the growth of inefficient units as well as the high profitability to the low cost units. The Supreme Court also has upheld the reasonableness of this system in its judgement dated the 6th November, 1972. Besides, according to them, the fixation of ex-factory price on the basis of cost of marginal units in the zone will degenerate into cost plus basis and will hard hit the consumers as the higher cost will be passed on to the consumer.

Retail Issue Price of Levy Sugar

3.43. The retail issue price of levy sugar for the consumer is uniform throughout the country and since 1-12-1972 it is Rs. 2.15 per kg. There was a pressure on this price consequent on the increase in the ex-factory prices of sugar with effect from 15-12-1973 but the price was maintained by means of a reducation in excise duty on levy sugar and a corresponding increase in the duty on free sale sugar.

3.44. It is seen from the information on ex-factory prices of sugar furnished to the Committee that the difference between the procurement and retail issue prices of sugar is quite large. For example, while the retail issue price is uniform throughout the country at Rs. 215 per quintal, the ex-factory prices in Madhya Pradesh vary between Rs. 178.15 and Rs. 180.65 per quintal while in Gujarat they vary between Rs. 149.85 and Rs. 152.35. It is however, stated that the difference is "mainly attributable to excise duty, the transport and handling charges and the margins allowed for whole sale and retail dealers."

(b) Distribution of Sugar

Distribution System

3.45. The Central Government allots monthly quotas of levy sugar to the States for distribution to domestic consumers through controlled channels, the basic quotas of the levy sugar having been fixed on a rational basis after taking into account the population as recorded in the 1971 census and the past pattern of consumption during 1967-68 and 1968-69. The actual allotment every month varies depending on availability of sugar from time to time. The scale and mode of distribution of levy sugar is, however, left to the discretion of the State Governments subject to a general guideline that no individual should get more than 1kg. per month and that a family should not get less than 1 kg per month in any case. The State Governments are distributing levy sugar on the basis of the allotments received by them every month. The public distribution system is able to meet only a portion of the requirements of domestic consumers at a fair price. Any additional demand of consumers and the demand of bulk consumers are expected to be met by them from the open market.

Basic Quotas of Levy Sugar for States

3.46. It is stated that for the first two months of January and February, 1972 under the scheme of voluntary distribution of sugar, the monthly quotas of the State Governments were fixed on the basis of averge levy quotas allotted to them during the last 7 months of 1970-71 season preceding de-control in May, 1971. Representations were received from various State Governments against the inadequacy of the quotas pointing out that the basic period of 7 months adopted for the fixation of quotas was not an appropriate one because during that period free sale sugar was available more or less at a price at which levy sugar was distributed in several parts of the country and, therefore, off-take of levy sugar during that period did not represent the real consumption pattern. Having regard to these representations, the quotas of various States were revised in mid-February, 1972 taking into account the population figures as per 1971 census as well as the consumption pattern during 1967-68 and 1968-69 seasons, when there was wide disparity between the prices of levy and free sale sugar. Thus, on the basis of a total availability of 1.91 lakh tonnes of levy sugar the revised monthly quota for each State was fixed for the month of March, 1972. The allotments to various States in subsequent months underwent marginal changes in proportion to the changes in the total availability of levy sugar every month.

Allotment of Levy Sugar Against Basic Quotas fixed for March, 1972

3.47. The revised Basic quotas fixed for the various States for the Months of March, 1972 and the actual allotments of Sugar during January and February, 1974 have been indicated as under:

(In tonnes)

Sl. No.	State/Union Territories	Basic Quota March, 1972	Allotment for Jan. 74	Allotment for Feb. 74
1.	Andhra Pradesh	12,000	12,514	12,514
2.	Assam	5,000	5,093	5,093
3.	Bihar	15,000	15,643	15,643
4.	Gujarat	15,000	15,643	15,643
5.	Haryana	4,200	4,380	4,380
6.	Kerala	7,600	7,926	7,926
7.	Madhya Pradesh	12,000	12,514	12,514
8.	Tamil Nadu	10,000	10,430	10,430
9.	Maharashtra	25,000	26,072	26,072
10.	Mysore (Karnataka)	9,500	9,907	9,907
11.	Meghalaya	350	400	400
12.	Mizoram	*	121	121
13.	Orissa	5,000	5,214	5,214
14.	Punjab	6,500	6,779	6,779
15.	Rajasthan	9,000	9,386	9,386
16.	Uttar Pradesh	25,000	26,072	26,072
17.	West Bengal	20,000	20,857	20,857
18.	Chandigarh	260	271	271
19.	Delhi	4,500	5,004	5,004
20.	Goa, Daman & Diu	500	522	522
21.	Dadra & Nagar Haveli	30	31	31
22.	Jammu & Kashmir	1,800	1,877	1,877
23.	H. Pradesh	1,500	1,564	1,564
24.	Manipur	300	313	313
25.	Nagaland	260	271	271
26.	Arunachal Pradesh	150	156	156

*Sugar requirement of Mizoram was included in Assam 's quota upto June, 1972.

1	2	3	4	5
27.	Pondicherry	230	240	240
28.	Tripura	400	450	450
29.	Andamans	160	167	167
30.	Laccadives	60	63	63
31.	Sikkam	50	80	80
32.	Bhutan	30	40	40
		1,91,380	2,00,000	2,00,000

State-wise per capita availability

3.48. Government were asked to work out and furnish to the Committee the *per capita* allotment of levy sugar to the different States. While furnishing these figures it has been stated that on the basis of population as recorded in 1971 Census and allowing an increase in population by 5 per cent since then, the *per capita* availability of levy sugar in each State out of the present monthly levy quotas of 2 lakh tonnes being allotted to the States, has been worked out as follows:

Sl. No.	State/Union Territories	Per capita availabilities for month(Kg)
1	2	3
1.	Andhra Pradesh	0·275
2.	Assam & Mizoram	0·332
3.	Bihar	0·264
4.	Gujarat	0·558
5.	Harayana	0·418
6.	Himachal Pradesh	0·435
7.	Jammu & Kashmir	0·387
8.	Kerala	0·355
9.	Madhya Pradesh	0·286
10.	Maharashtra	0·493
11.	Karnataka	0·322
12.	Nagaland	0·501
13.	Orissa	0·226

1	2	3
14.	Punjab	0·479
15.	Rajasthan	0·347
16.	Tamil Nadu	0·242
17.	UttarPradesh	0·281
18.	West Bengal	0·447
19.	Andamans and Nicobar	1·382
20.	Chandigarh	1·004
21.	Dadra & Nagar Haveli	0·398
22.	Delhi	1·178
23.	Goa, Daman & Diu	0·580
24.	Laccadives	1·887
25.	Manipur	0·279
26.	Meghalaya	0·387
27.	Arunachal Pradesh	0·334
28.	Pondicherry	0·485
29.	Tripura	0·275
		0·348

3.49. It is observed from the above figures that in the case of Union Territories of Laccadive, Andaman and Nicobar, Delhi and Chandigarh the *per capita* availability of levy sugar works out to more than 1 kg. per month, while in the case of certain other States like Gujarat, Maharastra, Nagaland, Punjab, Haryana, Himachal Pradesh, West Bengal, Goa, Daman & Diu, Pondicherry, etc., the per capita availability of levy sugar ranges from 420 gms to 580 gms. On the other hand, in the case of the remaining States like Tamil Nandu, Uttar Pradesh, Andhra Pradesh, Bihar, Madhya Pradesh, Orrissa, etc. the *per capita* availability comes to only 226 gms. to 275 gms. per month.

Extent of variation between Basic Quota and Allotment

3.50. Government was asked to state the extent of variation between the basic requirement (*i.e.* sum total of quotas of various States) and the total allotment during each of the last 4 months for which the figures are available. In reply it is stated that from August, 1973 to December, 1973 the quantum of monthly levy quotas was 1.90 lakh tonnes except for October, 1973 when 2.10 lakh tonnes were allotted on account of Dussehra and Diwali festivals falling in that month. In the context of higher sugar production expected this year, it has been possible for the Gov-

ernment to release 2 lakh tonnes of levy sugar for each of the months of January and February, 1974. It is further stated that whenever there is any change in the total availability of leavy sugar for allotment as States' quotas, each State's quota is proportionately increased or redced accordingly. No other criterion is being followed for revising the quotas of various States/Union Territories.

Correlation Between Basic Quotas and Population

3.51. Government were asked to indicate the reasons for wide differences in *per capita* allotment of levy sugar to the different States, quite unrelated to population of the States. They have stated that while fixing levy quotas for the various States not only the population factor but also the consumption pattern during the years 1967-68 and 1968-69 has been taken into account. Therefore, the States having larger *per capita* consumption in past years have been given weightage on that account in quota fixation. The per capita consumption of sugar in the States having larger rural population will normally be lower than the *per capita* consumption in the States with more of urban population. Further, in certain States the consumption of gur and khandsari is also comparatively larger which reduces the consumption of sugar in these States. That is why, Government feel, it is desirable to take into account the consumption pattern also besides population, for the fixation of monthly quotas for various States.

3.52. During evidence the representative of the Government spelt out the reason for basing the quotas on the consumption level of 967-68 and 1968-69 as follws:—

> "When the difference in price is significant, more people go to the ration shop to get the benefit of low price levy sugar. Consequently, as a result of adoption of this formula, we have been able to evolve a system of rational distribution to the various states. This system which has held good for nearly tow years now, has by and large worked to the satisfaction of the State Governments.... There was some rationality in what we are adopting. The idea is that the distribution should be firstly in accordance with the population of the various States and secondly the traditional habit of consumption of sugar by the people of particular States. For example, if you take the case of U.P. it is a populous State in India. The rural population is nearly 90 per cent and the consumption of sugar by rural population until recently was very little. Because of recent rise in income level or more

urbanisation it has gone up. Now, there is more production of khandsari and gur and people have got to use them. If you take into account sugar, gur and khandsari, the consumption level of the people of the State as a whole is farely satisfactory."

3.53. Asked to state whether any representations have been received from the State Governments for enhancing their quotas, in a note furnished to the Committee it is stated that representations for increasing the monthly levy sugar quotas have been received from time to time from U.P., Tamil Nadu, Maharashtra, Gujarat, Punjab, Haryana, West Bengal, etc. In such cases the Central Government have "explained the basis of allotment of levy quotas and have clarified that as and when there is larger availability of levy sugar, their quotas will also be proportionately increased."

3.54. The Committee are informed that the basic quotas of the States are based on the consumption pattern during 1967-68 and 1968-69 seasons. It is admitted that while fixing the basic quotas of States, larger per capita **consumption in past years has been given weightage. The Committee feel that the consumption of sugar at particular point of time depends upon a number of factors e.g. the purchasing power of the people, food habits, the degree of sophistication and the availability of alternative sweetening agents such as gur and khandsari. Besides, during the last 6—7 years there has been a rise in income levels and more urbanisation. The existing criteria for fixing State quotas have therefore become out-dated. The Committee are informed that representations for increasing monthly levy sugar quotas have been received by Government from time to time from certain States and Government have explained to them their inability to increase the supplies until availability of sugar is increased. The Committee recommend that Government may set up an Advisory Board consisting of representatives of the States for evolving a rational and scientific criterion for fixing the basic quota of levy sugar for each State which takes into account** inter alia **the population of the State, the rising incomes in rural areas, the pattern of current consumption etc.**

3.55. The Committee note that there are wide differences in the per capita **availability of levy sugar as between different States ranging between 1 Kg. and 226 grams per month. The Commitee are not convinced by the reasons advanced by Government for this wide disparity as sugar is now widely used in rural areas all over the country. They, therefore, recommend that these differences should be reduced to the minimum.**

Scales of issue of Sugar per head

3.56. The scales at which sugar is being issued in the States/Union Territories in the Rural and Urban areas have been indicated as under:—

Scales of Sugar at which Sugar is being issued in States in the rural and Urban Areas

Name of the State	Urban areas	Rural areas
1. Madhya Pradesh .	1 Kg. per head per month	250 gms. per head per month.
2. Assam .	600 gms. per head per month.	300 gms. per head per month.
3. Bihar .	250 gms. to 1 kg. per head per month.	500-600 gms. per head
4. Haryana . . .	580 gms. per head per month.	500 gms per head per month.
5. Orissa . . .	3 kg. per card per week up to an income of Rs. 750/-, 2½ kg. per week per card between income of Rs. 501-750, 2 kg. per week per card between income of Rs. 251-500, 1½ kg. per week per card between 101-250/-, 1 kg per week per card up to income of Rs. 100/-	1 kg. per family per month and a maximum of 1 kg. per head according to availability.
6. Tamil Nadu .	Maximum 1 kg per head per month and minimum 1 kg per card per month in all areas.	
7. Maharashtra . .	800 gms. per head per month.	500 gms. per head per month.
8. Punjab . . .	800 gms. per head per month in rural and urban areas.	
9. Rajasthan . .	325 grams to 375 grams per head per month in rural and urban areas.	
10. Uttar Pradesh . .	1 kg. per head per month.	1 kg. per card per month.
11. West Bengal . .	600 gms. to 1 kg. per head per month.	200 grams per head per month.
12. Chandigarh Administration.	800 gms per head per month in both urban and rural areas.	
13. Delhi Administration	900 gms. per head per month in both urban and rural areas.	
14. Goa, Daman & Diu .	500 gms. per head per month in urban and rural areas.	
15. Dadra, Nagar Haveli. .	No urban areas	1 kg per head per month
16. Himachal Pradesh .	500 grams. per head per month in both rural and urban areas.	
17. Mizoram . . .	250 gms. per head per week.	250 gms. per head per week.
18. Andhra Pradesh .	1 kg per head per month up to 6 kg. per family in urban and rural areas.	
19. Jammu & Kashmir .	1 kg. per head per month.	1/2 kg. per head per month.
20. Manipur . . .	400 gms per head per month.	1 qtl. per shop keeper.
21. Nagaland . .	1 kg. per head per month in both urban and rural areas.	
22. Arunachal Pradesh .	1 kg. 900 grams per adult per month and 950 grams per child for Government employees only.	

	Name of the State	Urban areas.	Rural areas
23.	Pondicherry .	1 kg. per unit per month up to 7 kg. with an income over Rs. 200/-	1/2 kg. per month up to 4 kg.
24.	Tripura . . .	100 gms per head per week subject to a minimum of 150 gms. and maximum of 1 kg. per week per card.	250 gms up to 4 members family per week and 500 gms. per week per card for a family consisting of more than 4 persons.
25.	Andaman Nicobar .	1 kg. per head per month.	1 kg. per head per month
26.	Mysore . . .	In Bangalore Municipal areas 1 kg. per head per month.	750 gms per head per month in whole of the State except Bangalor City limits.
27.	Gujarat . . .	[Minimum sugar issued to a family per month is 1 kg. and with a maximum of 1 kg. per head per month in both rural and urban aras.	
28.	Laccadive . .	—	1 kg. per head per month.
29.	Kerala . . .	2 kg per month per card.	2 kg. per month per card.

3.57. It is noticed from the above statement that there are wide disparities in the scale of sugar issued by the various States in urban and rural areas. In urban areas the scales of issue of sugar range from 325 grammes per head per month in Rajasthan to 1 kilogramme per head per month in various States like Madhya Pradesh, J&K, Andhra Pradesh etc. Similar is the case in regard to rural areas. Government were asked to state the reasons for these disparities in the scales of issue of sugar in the various States. In a note submitted to the Committee on this issue, it is stated that the scale and mode of distribution of levy sugar within the State is left to the discretion of the State Governments subject to a general guideline that no individual should get more than 1 kg. per month and a family should not be supplied less than 1 kg. per month in any case. It is further stated that although in the changing pattern of the society on socialistic lines, any distinction in the scale of distribution of sugar in the rural and urban areas may appear to be invidious, there is ample justification for doing so. It has been Government's experience that the actual consumption of sugar in the rural areas has been very much lower as compared to that in the urban areas even during times when there were no controls on distribution. This was because people were more used to taking gur and other sweetening agents in rural areas. Gur was also available freely and at a much lower price. It is only after the rapid growth in urbanisation and the increase in the prices of gur that the consumer preference to white sugar, which is sold at a uniform controlled price, is noticeable. The steep fall in production of sugar in 1971-72 and the consequent reduction in the quantum of

releases for domestic consumption had also created a scarcity atmosphere, thereby boosting the demand for sugar. It is also frequently reported that the allotment to the rural area has been diverted to some extent to the free sale/black market. Considering these factors, in Government's opinion, there should be no harm if, till the production considerably improves, the scales of distribution in the urban and rural areas nain flexible commensurate with the conditions prevailing in different States, and the States are given a free hand to evolve a distribution system which is best suited to the consumption habits in the State.

Distribution arrangements in Rural Areas

3.58. During evidence, the representative of the Government was asked whether the Government had received any complaints regarding the inadequacy of distribution arrangements for sugar in the various States particularly in the rural areas and if so, from which areas and what steps had been taken by Government in this regard. He replied that following complaints made in Parliament that there were large scale malpractices in distribution, his Ministry "reiterated.....earlier instructions that State Governments should streamline the system of distribution through fair price shops." As to the results thereof, he said: "We would leave it to the State Governments to satisfy themselves that their obligations to the citizens are fulfilled." He further stated that:—

> "One of the instructions issued to the State Governments is that they should frequently inspect the fair price shops and see that no malpractices are obtaining..... We have also enjoined on the State Governments to ensure that the same shop which sells levy sugar should not be allowed to sell free sale sugar so that there is no mixing of the two."

3.59. The Committee note that Government have themselves admitted that the distribution arrangement for sugar in rural areas are not adequate and that t) have written to the State Governments to tighten the distribution machinery and see that no malpractices take place. The Committee would like Government to review the existing distribution arrangement for sugar in rural areas to ensure proper distribution. The Committee suggest that in small towns and rural areas where the system of issue of levy sugar on Ration Cards does not exist, it would go a long way in improving distribution if the District Magistrate is regularly informed of the despatches of levy sugar in his District and he in turn adequately publicises the same in the District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.

Take over of wholesale trade in Sugar by Public Agencies

3.60. It has been represented to the Committee that the "introduction of more than one government agency in the work (of distribution of levy sugar) such as F.C.I. etc., is not desirable because it adds to the working costs unnecessarily and gives rise to other complications and delays in the process of distribution." It is suggested that the distribution of levy sugar "should be done through the wholesale trade channel and the cooperatives, as was being done prior to January, 1973, under the supervision of State Governments." The representative of the Government was, during evidence, asked the reasons for the take over of wholesale trade in sugar entirely by the public agencies. He indicated the reasons as follows:—

> "From 1st October, 1972 Government have evolved a system of distributing levy sugar at a uniform retail price throughout the country. To facilitate this and also to overcome certain alleged malpractices on the part of the numerous wholesalers, Government took a policy decision to take away the whole sale trade in levy sugar and entrust it to public agencies like FCI and State Governments' own public agencies like cooperatives, State corporations etc. To that extent the number of wholesalers handling levy sugar has in fact come down. As a result of this new system, we are in a better position to ensure that the policy of distribution at a uniform price is successful."

3.61. In a subsequent written note furnished to the Committee, it is stated that in 1972-73, the Government of India took two important decisions about distribution of levy sugar *viz.*, (i) to maintain the retail issue price of levy sugar at a uniform level throughout the country from 1st October, 1972 and (ii) as a matter of policy and for facilitating (i) above to restrict the wholesale distribution work to public agencies. It was in pursuance of the Government's decision to replace the private whole-salers in levy sugar by public agencies or the cooperatives, that the Food Corporation had been entrusted the work of wholesale distribution in the country from 1st January, 1973. Some state Governments have been allowed by the Government of India to continue their own arrangements for handling the wholesale distribution of sugar through their own public agencies, including cooperatives, on the condition that sugar is issued to the consumer at the uniform price of Rs. 2.15 per kg. and a complete account of trading in sugar would be furnished to the F.C.I., profit, if any, being credited to the F.C.I. for adjustments in the Price Equalisation Fund and higher charges, if any, being reimbursed by the Food Corporation. When agreeing to the requests of the State Governments for making their own arrangements through their pub-

lic agencies or cooperatives for wholesale distribution of levy sugar, it was also stipulated that their cost of operation would be most economical and in any case not be higher than what it would have been if it was through the Food Corporation of India. Only one agency *i.e.* the Food Corporation of India or the State's public agency or cooperatives, functions at the wholesale stage in each State/Union Territory. Their total number is less than the number of wholesalers before January, 1973. These arrangements have by and large worked satisfactorily except on occasions of road| rail movement difficulties or interruptions caused by court interventions on writ petitions filed by the factories.

3.62. The distributing agency in each State is indicated as under:—

Food Corporation of India.	Through Cooperatives/Public Agencies
1. Andhra Pradesh	1. Tamil Nadu
2. Assam	@2. Jammu & Kashmir
*3. Madhya Pradesh	3. Nagaland
4. Kerala	4. Maharashtra
5. Orissa	5. Gujarat
6. Uttar Pradesh	6. Pondicherry
7 West Bengal	7. Dadra & Nagar Haveli
8. Arunachal Pradesh	8. Goa, Daman & Diu
9. Meghalaya	9. Punjab
10 Mizoram	10. Manipur
11. Andaman Nicobar	11. Tripura
12. Laccadive	12. Himachal Pradesh
*13. Bihar	13. Haryana
*14. Delhi	14. Rajasthan
*15. Chandigarh	15. Mysore

*State Governments concerned have expressed their desire to entrust wholesale distribution of sugar to the State Cooperatives/Public agencies, but final decision not yet taken

@The Government of Jammu & Kashmir have now requested that distribution arrangements from August '73 shall be taken over by F.C.I.

3.63. **The Committee note that from the 1st January, 1973 the Food Corporation of India has been entrusted with the work of wholesale distribution of sugar in the country except in the case of some States which have been allowed to make their own arrangement for distribution through their public agencies or cooperatives. The Committee would like Government to review the arrangement after two years of its operation with a view to find out whether the existing arrangements are really serving the interests of consumers. The Committee need hardly emphasise that strict control should be exercised on the overheads and administrative expenses of the Food Corporation of India on the distribution of sugar to ensure that these are kept to the minimum.**

CHAPTER IV

EDIBLE OILS AND VANASPATI

(a) Availability

Demand

4.1. Government were asked to indicate the demand of Vegetable (edible) oil in the country during the last few years as against production and imports so as to find out as to how far, the demand was being met. They have in reply stated: "The demand for oils depends on several factors such as incomes of people, prices, etc. Information on demand is not available. However, availability for consumption can be derived from production, imports, exports and changes in stocks".

Production

4.2. Groundnut, rapeseed and mustard as also sesamumseed are the predominant sources of vegetable (edible) oil in India. Cottonseed has also recently emerged as an important source of edible vegetable oil. The following table indicates the estimated production of major vegetable (edible) oils during the last 6 years:—

(in lakh tonnes)

Year	Edible Oilseeds				Edible Oils			
	Ground nut	Rape/ Mustard	Sesame	Total	Ground nut	Rape/ Mustard	Sesame	Total
1967-68 .	57·31	15·68	4·45	77·44	13·24	4·91	1·38	19·53
1968-69 .	46·31	13·47	4·22	64·00	10·44	4·18	1·31	15·93
1969-70 .	51·30	15·64	4·48	71·42	11·71	4·89	1·39	17·99
1970-71 .	61·11	19·76	5·62	86·49	14·13	6·33	1·75	22·21
1971-72 .	61·81	14·33	4·49	80·63	14·29	4·56	1·40	20·25
1972-73 . .	39·24	18·53	3·56	61·33	8·74	6·04	1·10	15·88

4.3. Government have stated that firm estimates of vegetable oils produced in the country are not available. Some rough estimates are prepared by them on the basis of certain assumptions in regard to the utilisation of oilseeds for different purposes, such as, seeds,

direct human consumption, etc. and on that basis, the quantities of oilseeds available for crushing have been worked out. Oil recovery ratios have been further applied to such quantities to obtain estimates of likely production of various oils. Government admit that "the working basis is provided by marketing surveys conducted several years ago and, in the meantime, conditions must have vastly changed". They have therefore requested that the estimates worked out "should be treated at best as only rough approximations."

4.4. Government were asked to state as to why it was not possible for them to maintain correct statistics about production etc. of vegetable oils on the basis of regular market surveys. They have stated that the difficulty in collection of data is for the reason that the vegetable oils are produced not only in the organised sector but also in the unorganised units scattered all over the country. While data on production in the organised sector is being collected through the annual surveys by the Central Statistical Organisation of the Department of Statistics, data for the unorganised sector has hitherto not been available. Reliance had, therefore, to be placed on certain indirect methods. It is further stated that information in respect of utilisation of oilseeds for different purposes is based on market surveys conducted by the Directorate of Marketing and Inspection of the Ministry of Agriculture some years ago. The Directorate of Marketing and Inspection have conducted marketing surveys of different agricultural commodities from time to time. However, in view of the large number of agricultural commodities, they have not been able to carry out surveys for the revision of market reports in respect of several commodities on a regular basis. Considering the number of reports that need revision and the present paucity of staff in their Research Wing, the Directorate of Marketing and Inspection have drawn up a phased scheme for the survey of agricultural commodities during the 5th Plan period. Government expect that with the implementation of the scheme, the pace of revision of marketing reports would get hastened.

4.5. Government were asked as to how in the absence of correct statistics regarding production, the import of the commodity was being planned. In reply it is stated that the Five Year Plan targets for the production of oilseeds upon which depends the production of oils, are fixed in the light of assessment of likely requirements and potentialities for increasing production. Imports are planned from year to year taking into account such factors as the likely levels of supplies of oilseeds during the year (including the likely availability by the exploitation of supplementary resources, *e.g.*, crushing of cotton seeds, rice bran and minor oilseeds of tree origin), behaviour of prices, availability of foreign exchange, etc.

Estimated Demand and Production of Vegetable (edible) Oils during 1973-74 and 1978-79

4.6. The estimates of demand and production for 1973-74 and the last year of the 5th Plan (1978-79) of vegetable (edible) oils have been indicated as follows:—

(Figures in '000 tonnes)

	Demand	Production
1973-74 . .	3115	3200
1978-79	3600	3500

4.7. The Committee regret that Government have not so far evolved any systematic method of assessing realistically the demand for and the production of vegetable (edible) oils in the country and that the data which is being relied upon for planning availability of this commodity is "only rough approximations" largely based on assumptions. As the collection of the basic data regarding demand and production is a sin-qua-non for planning availability, the Committee recommend that Government should not neglect this pre-requisite for planning and urgently evolve suitable methodology for collection of demand and production statistics in respect of vegetable (edible) oils so that the availability of this essential commodity for various purposes could be effectively planned.

Production of Oil Seeds

4.8. The estimates for 1971-72 and 1972-73 in respect of area and production of the main sources of vegetable (edible) oils in the country have been indicated as follows:—

All India estimates of Area and Production

(Area—thousand hectares)
(Production—thousand tonnes)

Oilseeds	1971-72		1972-73	
	Area	Production	Area	Production
Groundnut with Shells . .	7,510	6,181	6,878	3,924
Rape seed and Mustard . .	3,614	1,433	3,390	1,853
Sesame Seed	2,392	449	2,232	356
Cotton Seed.	7,800	2,363	7,704	1,980

It is stated that estimates of oilseeds for 1973-74 will become available after the close of the agricultural year, *i.e.* June, 1974.

Reasons for decline in oilseeds produced during 1972-73

4.9. It is noted that there has been a sizeable decline in the production of oilseeds during 1972-73 as against the production in the previous year. In a note furnished to the Committee, the reason for decline in production during 1972-73 is stated to be mainly the unfavourable weather condition at the sowing time of the crop. It is stated that oilseeds are grown in rain-fed areas, including semi-arid and arid lands, which were hardest hit, by drought conditions during 1972. Production of groundnut and seasame in the country was seriously affected during the 1972-73 season, mostly due to unfavourable weather conditions during the growth period of the crops, though the shrinkage in area was also responsible for a part of the fall in production. However, so far as rapeseed and mustered are concerned, their production registered an increase in spite of a decline in their area.

Measures taken to Augment productivity of Oilseeds

4.10. The measures taken by Government to augment productivity have been spelt out in a note furnished to the Committee. It is stated that Government of India have implemented various measures for increasing the productivity of oilseeds in general and groundnut in particular, during the Fourth Plan. In addition, special programmes for cultivation of sunflower and soyabean have been put on ground since 1972. Some exotic varieties of sunflower of Russian origin which are early maturing and have high oil content were found suitable for large scale cultivation in the country particularly in the Southern States where climatic conditions are favourable for the cultivation of the crop throughout the year. Sunflower, because of its drought resistance nature, has a special role in dryland agriculture. The potentialities for the cultivation of soyabean (which yields 20 per cent oil and 80 per cent protein rich meal) without displacing other crops are also found to be very good. In Madhya Pradesh, vast areas remain fallow during the monsoon season preceding wheat and soyabean was found suitable for introduction in such areas.

4.11. Keeping in view the experience gained during the Fourth Plan, a new orientation is being given to the development programmes on oilseeds during the Fifth Plan with a view not only to increase the production of oilseeds in the country but also to import some stability to it in years of unfavourable seasonal conditions. The strategy which is aimed at achieving a production level of 12.5 million tonnes of oilseeds by 1978-79, consists of a three-pronged drive

for (i) increasing the areas of irrigated oilseeds, (ii) raising the productivity per hectare, and (iii) insulating oilseeds production from violent fluctuations. The increase in irrigated area under oilseeds is sought by exploiting the full potential under the command of irrigation projects and by double cropping with short-duration crops| varieties, the total additional areas expected to be brought being 1.0 million hectares. For raising productivity, the intensive district approach will be adopted in selected States|Districts where the production technology has been well-developed and potentialities for rapid growth in production are good. For minimising fluctuations in oilseeds production, it is proposed to (i) adopt the problem-oriented approach comprising production and distribution of improved seed, foliar application of fertilisers, use of micro-nutrients, and adoption of plant protection measures, and (ii) extend the area under crops like sunflower and castor which have a distinct advantage in their suitability for dryland agriculture.

Intensive District Approach

4.12. In a subsequent note furnished to the Committee, Government have indicated the details of the "intensive district approach". It is stated that detailed proposals for the implementation of the new approach for the development of oil seeds crop in the country during the Fifth Five Year Plan have been formulated and referred to the Planning Commission for approval. Simultaneously, areas where these programmes are to be implemented have been identified. Arrangements for the supply of seed particularly of sunflower, the cultivation of which has been recently introduced in the country, have been made by linking demonstrations with seed production. Apart from this, negotiation have also been made for the import of about 200 tonnes of sunflower seed from Australia, free of cost under the Colombo Plan.

Detailed instructions have been given to the State Governments for the preparation of detailed proposals well in time so that they are put into effect in right earnest in the very first year of the Fifth Plan.

4.13. During evidence, the Agricultural Production Commissioner stated that a break through in groundnut production was possible if during Rabi season, groundnut could be introduced in areas in which at present rice was grown, which was possible "only if a rationale is developed" in this regard. He further stated:

> "The second development which has taken place in the last two years is the introduction of sunflower in the country. We found that it could be grown almost throughout the

year in certain parts of the country. This year the area under sunflower cultivation will be 2.5 lakh hectares. By the end of the Fifth Plan the area under sunflower may go up to 1 million hectares. That will give us roughly a minimum of 7 lakhs additional tonnes of sunflower seed. So, the additional production of groundnut of about 14 lakh tonnes and 7 lakh tonnes of sunflower will give us 21 lakh tonnes of additional oilseeds production in the country. With the introduction of sunflower on a large scale, we are sure production of oilseeds will to some extent stabilise. The second factor is groundnut competing with rice in the rabi season. Some efforts will be made to increase the production of soyabeans and castor".

4.14. The Committee note that to augment production of vegetable (edible) oils seeds, Government propose to apply "intensive district approach" in the selected States/Districts. They also note that efforts are being made to increase the area under the cultivation of sunflower and castor which are better suited to dryland agriculture. The Committee hope that these schemes would be implemented in the field effectively during the Fifth Plan period and every effort will be made to reach the target of additional annual production of 21 lakh tonnes of oilseeds in the country by the end of the Fifth Plan period.

4.15. The Committee would also like to point out that the acreage under various crops at a given time does not entirely depend upon natural factors. The farmers' choice of crop in uniform conditions, depends to a large extent upon his estimate of the prospective level of prices in respect of different agricultural commodities. Frequent shifts in the cropping pattern leading to uncertainties in production could therefore be avoided only if appropriate price differentials are maintained as between defferent crops. The Committee therefore suggest that the Agricultural Prices Commission should keep these considerations in view while recommending the prices in respect of different agricultural commodities so as to have the desired pattern of agricultural production.

Imports

4.16. The imports of vegetable (edible) oils and oilseeds during the year 1971-72 and 1972-73 and those estimated for 1973-74 have

been indicated as follows:—

Quantity : in tonnes
Value : in Rs. lakhs

Year	Veg. (ed) Oil		Ed. Oil. Seed	
	Quantity	Value	Quantity	Value
1971-72	80,311 +53,537*	18,77·29	49,250 +17,200*	5,76·14
1972-73	39,935 +8,292*	8,00·12	67,052** +8,300*	7,86·91
1973-74 (Ested·)	1,26,122	31,20·94	93,000**	15,00·00

*Relief Supplies.
**As a grant.

As regards the estimated imports during the 5th Plan period, it is stated that as the import requirements "are largely governed by the changing fortunes of the indigenous production, no attempt has been made to formulate any targets for future years". Government have, however, estimated that generally for a few years more, they may have to continue imports at a level of 50,000 to 1,00,000 tonnes per year, assuming that all the years have good monsoons.

4.17. In a subsequent note furnished to the Committee, the reasons for not fixing any targets for import for future years on the basis of projected demand and indigenous supply have been further explained. It is stated in the note that imports of vegetable oils, as of any other commodity, are affected only for supplementing indigenous production to the extent necessary. Keeping in view the high costs in foreign exchange involved, such imports have necessarily to be limited to the barest minimum consistent with our indispensable requirements. As indigenous production of edible oilseeds, and hence of oils, fluctuates widely from year to year (the difference between the latest two years, in the case of groundnut alone, being as large as 22.6 lakh tonnes), and as efforts are also being continuously made to maximise indigenous production of traditional oilseeds (like groundnut, sesame, mustard etc.) as well as non-traditional oilseeds (like sunflower, soyabean etc.) any exercise aimed at formulating import targets for edible oils for future years would be purely academic in nature, and would have little more than an illusory significance.

4.18. During evidence also, the representative of the Ministry of Agriculture stated that it was not possible to forecast import requirements over a longer period of time due to wide fluctuations in indigenous production depending upon various factors which were mainly seasonal. For example, he pointed out, the production of groundnut last year (1972-73) was only 39.2 lakh tonnes and this year (1973-

74) it was going to be "58 to 60 lakh tonnes—an increase of over 50 per cent."

Inadequacy of Imports during 1972-73

4.19. It is observed from the production and import figures that although the production of groundnut seeds and groundnut oil during 1972-73 was higher as compared to previous year, the production of Rape/Mustard and Sesame seeds and oils declined causing an overall decline in the total production of major vegetable (edible) oilseeds and edible oils during 1972-73 as compared to previous year. The imports of edible oil during 1972-73 were also much less as compared to imports during 1971-72.

4.20. A non-official organisation has pointed out to the Committee that the current shortage of edible oils is "on account of the inability of Government to plan sufficient imports in time for effective use during the current year even though the estimated shortfall in availability was made known by the trade....as early as October, 1972." Government have also in a note furnished to the Committee confirmed that the industry had also been drawing Government's attention to the need for arranging imports of edible oils. But, it is stated, Government were fully seized of this matter on their own, and had already taken requisite action in this regard and as such the question of taking any further action with reference to the Industry's suggestion did not really arise. Government maintain that the requirements of imported oil of vanaspati factories during the first 9 months of 1972-73 could be fully met from the residual stocks of edible oils received by way of refugee relief, which included 50,000 tonnes received before the commencement of that year and 8,300 tonnes received during the year. The commercial import of edible oils effected during 1972-73 was, therefore, limited to the requirements during the last three months of that year *viz.* January—March 1973 and the early months of the following year—the quantity imported *viz.* 40,000 tonnes being more than sufficient for the purpose. Although release of foreign exchange for import of edible oils to the extent of Rs. 20 crores, adequate for about 1 lakh tonnes, was obtained from the Ministry of Finance, actual imports during 1972-73 were kept at minimal levels in view of the steep rise in the price of oils in world markets during and after February, 1973.

4.21. During evidence, the representative of the Ministry of Agriculture added:

> "Normally, our (import) requirement of edible oils has been of the order of one lakh tonnes every year. In the past,

we have been getting this mostly from PL 480 sources from America. In the recent past, this source having dried up, we had to resort to commercial purchase, which involves foreign exchange, which is again becoming more and more a rare commodity for us. So, we planned on the basis of minimal imports, after augmenting our indigenous production".

4.22. Replying to a point raised during evidence that imports were not properly planned and by the time the decision to approach the international market was taken the prices had gone up, he said:

"The industry wanted 3 lakhs and 2 lakhs were imported. The prices have been very high. Our estimate was based on indigenous availability. If we had imported more we would have faced problem of surplus holdings."

Supplementing him, another representative of the Ministry of Agriculture stated that the abnormal rise in international prices of edible oils took place sometime in February-March, 1973 due to dollar devaluation, energy crisis and certain other international factors which could not have been foreseen. Still another representative of the Ministry of Agriculture maintained:

"Foreign exchange difficulty remained with us throughout. Even if we wanted to import, it would have been difficult. One has to approtion foreign exchange for different purposes."

4.23. In a subsequent note furnished to the Committee, the steps taken to secure supplies of edible oils from abroad after the likely shortfall in production came to the notice of the Government in July-August, 1972 have been indicated in chronological order as under:

"As soon as the preliminary estimates of a likely steep fall in the production of groundnut during 1972-73 became available in July-August 1972, steps were initiated for obtaining requisite release of foreign exchange for the import of 1 lakh tonnes of edible oils for supplementing the reduced availability of indigenous oils during the calender year 1973. This was received in two stages— Rs. 10 crores being released on 5th September 1972 and another Rs. 10 crores on 15th December, 1972. Immediately on release of the first instalment of Rs. 10 crores, the S.T.C. was authorised to make steps for arranging

purchases. However due to the limited response received to the tender enquiries floated by the S.T.C. orders could be placed (on 5-10-72) for only 5,000 tonnes of palm oil and 25,000 tonnes of soyabean oil, valued at Rs. 6:16 crores. Constant tapping of the market in subsequent weeks and months enabled further orders to be placed for 10,000 tonnes of rapeseed oil (Rs. 2·02 crores) on 29-11-72, for 15,000 tonnes of palm oil (Rs. 2·47 crores) on 1-2-73 and another 4,500 tonnes of palm oil (Rs. 0·75 crores) on 5-3-73. These commercial imports supplemented the residual stock of 58,300 tonnes of imported oils pertaining to relief supplies already available for use during 1972-73. In addition, 80,000 tonnes of rapeseed was also imported during the year under a Canadian grant of C$11 million.

During 1973-74 another Rs. 35 crores of foreign exchange was released for the purpose. In the meantime, as a result of various factors, prices of edible oils in world markets had staged a steep rise of from $87 per tonne on 10th October, 1972 to $118 per tonne by 10th April, 1973 in the case of palm ail, and from $242 per tonne to $347 per tonne in the case of soyabean oil, and the availability of these oils too became increasingly more difficult. Even so, with the foreign exchange available, it was possible to purchase a further quantity of 1,27,000 tonnes of edible oils during that year. But, despite deputation by the S.T.C. of a special purchase team to Malaysia for the purpose, including a representative of this Ministry, only 43,700 tonnes of palm oil out of the total quantity of 1.27 lakh tonnes could be obtained, and that too for shipment in October 1973—March 1974. Exept for 32,000 tonnes of palm oil due to be received during the next few months, all the oils so far purchased have been received. Another 14,000 tonnes of rapeseed oil and 20,000 tonnes rapessed are due to be received in the near future against a Canadian grant of C$15 million for 1973-74."

Remedial measures taken to tide over the shortage.

4.24. Remedial measures taken by Government to tide over the situation arising out of shortage of edible oils for use in vanaspati have been described in a note to the Committee as follows:

(i) Steps to maximise production of traditional oilseeds and to develop the cultivation of non-traditional oilsseds like

soyabean and sunflower. The production of groundnut (in shell) during 1973-74 is expected to be around 58-60 lakh tonnes, which is at least 50 per cent higher than the production during 1972-73. The production of sunflower, a new crop is expected to be around 80,000 tonnes which should yield an additional 30-40,000 tonnes of oil.

(ii) Encouraging increased usage of cottonseed/rice bran oils partly by compulsion and partly through fiscal incentives and also permitting usage of mustard oil within specified limits. The main effort has been in the direction of promoting increased use of cotton seed oil. This is being done partly by making its usage at a minimum level of 15 per cent compulsory, and partly by allowing liberal fiscal incentives (in the form of a rebate on excise duty) for use of this oil at higher levels. The use of mustard oil was also permitted for some time during 1973 but, as the availability of this oil became difficult with the advance of the season, this has since been discontinued. Efforts are being made to improve the quality of rice bran oil being produced; as a result, the use of this oil in vanaspati is also gradually increasing, though the quantity used is still very small (324 tonnes in 1972-73 and 1260 tonnes in 1973-74 (up to December). These measures have resulted in the usage of cottonseed oil in vanaspati increasing from 90,058 tonnes (14.5 per cent) in 1971-72 to 1,57,219 tonnes (26.0 per cent) in 1972-73 and 1,02,715 tonnes (29.3 per cent) in 1973-74 (up to December). Conversely, the usage of groundnut oil has fallen from 3,91,976 tonnes (63.5 per cent) in 1971-72 to 3,03,836 tonnes (50.2 per cent) in 1972-73 and 82,709 tonnes (23.6 per cent) in 1973-74 and (upto December).

(iii) Import of as much oil as could be obtained in the world markets against free foreign exchange.

Buffer Stock.

4.25. The representative of the Ministry of Agriculture was asked during evidence as to why buffer stock of edible oils was not being created. He replied that it could be built "only when there was an assured indigenous production in surplus over a period of time." In reply to the suggestion for building up the buffer stock out of imports, he said "large imports at the present moment, when the international prices are ruling very high and our own foreign exchange resources are very much limited, are unthinkable."

4.26. Another representative of the Ministry dealing with the question of creation of buffer stock stated:

> "The question regarding buffer stock has been examined in the Ministry of Agriculture. There is a need for it, but the difficulty is this. In most of the years the oil economy in our country is characterised by shortages, and one can build up a buffer stock over a time only through imports. But at present the prices in the world market are much higher than in India. Already in India there is a complaint that the prices are high, and the international prices are much higher than in India. Therefore it is very difficult to think of large scale imports..... There is also the question of institutional arrangement for making purchases and sales within the country. Government has decided, in principle, to set up an Edible Oils Corporation at an all-India level. This Corporation, it is expected, would perform such functions as purchases, imports and exports."

Answering the point that advance planning in regard to availability of essential commodities was necessary, the representative of the Government stated that "Under the prevailing conditions, the only solution is to learn to live with shortages" and maintained that in imports "certain order of priorities have to be given."

4.27. In a subsequent written note furnished to the Committee in April, 1974, Government have given further reasons for which they consider the creation of a buffer stock of edible oil as an unpracticable proposition. These are: "(i) large carrying costs involved, (ii) the likely deterioration in quality during storage, and (iii) the availability of a large surplus of manufacturing capacity for Vanaspati."

4.28. The Committee observe that the Ministry of Agriculture have not laid down any targets for imports of vegetable (edible) oils for future years and are arranging imports on year-to-year basis entirely depending upon their own assessment of the likely indigenous production of vegetable (edible) oilseeds. They are surprised at the argument advanced by the Ministry that in view of the production of oilseeds depends upon weather conditions, any exercise aimed at formulating import targets for edible oils for future years "would be of purely academic nature and would have little more than an illusory significance." The Committee are constrained to observe that it is precisely on account of this lack of advance planning for

imports that common man has to suffer the shortage of this essential commodity, which is the basic medium for his cooking, either raw or processed in the shape of vanaspati, ever since 1972-73. The Ministry failed to arrange adequate and timely imports of edible oils during 1972-73 even though by their own estimates imports of this essential commodity were necessary for a few more years at the level of 50,000 to 1,00,000 tonnes per year, assuming that all the years have good monsoons. In order to cover this lapse on their part, different officials of the Ministry who appeared before the Committee for evidence gave different justifications for not taking advance action for imports such as existence of adequate spillover stocks of previous year, avoiding over stocking, paucity of foreign exchange, other priorities for imports etc. The Committee particularly regret the suggestion from the representative of the Ministry of Agriculture during evidence that we have to learn to live with these shortages and that there was nothing that the Ministry could do about it. The Committee have, a feeling that conditions fully justified advance action being taken for import for this commodity at short notice. The Ministry of Agriculture, however started moving in the matter only after they became aware of the likely shortfall in production on account of failure of monsoon in July-August, 1972. This caused avoidable delay in import resulting in distress caused by shortages at home and at the same time payment of higher prices for imports as in the meantime, prices in international market had risen. The Committee would like the Ministry of Agriculture to learn a lesson from the experience of 1972-73 and in future initiate preparatory action for import of this commodity, well ahead of the season so that in case of failure of monsoons or other developments likely to cause a shortfall in the production of oilseeds, timely imports could be arranged to tide over the situation.

4.29. The Committee note that while Government recognise the need for building up buffer stock of vegetable (edible) oil/oilseeds, the impediments cited are lack of surplus indigenous production over a period of time, current high prices in international market, the absence of institutional set up for handling the same, large carrying costs involved, existence of large surplus capacity for production of vanaspati, and the likely deterioration of quality during storage. The Committee are unable to appreciate why creation of buffer stock of at least vegetable (edible) oilseeds should be an "unpracticable proposition" when the maintenance of buffer stock in respect of foodgrains is an accepted policy of Government. The Committee regret that the Ministry of Agriculture did not think of building up of buffer stock of this essential commodity earlier. They recommend that, keeping in view the largely rain-fed nature of the main edible

oilseed crops and the uncertainty of monsoons, necessary steps should be taken urgently to facilitate the building up of buffer stock of this commodity, either out of surplus indigenous production or imports, for regulating free market operations in this essential commodity as well as for use in scarcity conditions.

Demand of vegetable (edible) oils for manufacture of Vanaspati.

4.30. Government were asked to indicate the demand and supply of vegetable (edible) oils for the manufacture of vanaspati during 1971-72 and 1972-73 and the estimated demand and supply for 1973-74 and during each year of the Fifth Plan period. In reply, Government have furnished the factual data regarding the demand for different indigeneous raw oils for the vanaspati industry during 1971-72 and during 1972-73 and the indigenous production of the relevant oils during these years as follows :—

(in '000 tonnes)

	1971-72		1972-73	
	Production	Demand for Vanaspati	Production	Demand for Vanaspati
(a) *Indigeneous Oils*				
Groundnut oil	1430·0	392·0	874·0	303·8
Cottonseed oil	100·0	90·1	170·0	157·2
Sesame oil	143·0	36·1	112·0	43·1
Other oils	..	2·2		18·2
(b) *Imported Oils*	..	96·6	..	82·2
Total		617·0		605·2

4.31. As regards the demand and supply of raw oils for the manufacture of vanaspati, it is stated that, as only a portion of the available supplies of the edible oils is used for the manufacture of vanaspati, "it is difficult to assess the demand/supply position of oils for this purpose in precise terms" and as such, Government say, the precise denmand/supply estimates of oils specifically used in vanaspati manufacture in the coming years "cannot be worked out". Besides, according to Government:

> "An added difficulty is that even the demand of oils for direct consumption is somewhat flexible and cannot be assessed in precise terms merely on the basis of conventional

parameters like growth of population, income elasticity etc. Hence, unlike in the case of other commodities where the demand|supply balance in respect of raw material may be rather thin, such demand|supply projections in the case of raw oils for vanaspati do not have much significance as the supply side would invariably be much higher than demand."

4.32. The Committee are surprised that the Ministry of Agriculture are unable to work out the demand for vegetable (edible) oils for the vanaspati industry. The Ministry are aware of the installed capacity of the various units engaged in the manufacture of vanaspati and it should not have been difficult for them to compile the overall demand of edible oils for the industry. In the absence of these figures, the Committee have a feeling that Government are not approaching the problem of raw material supplies for vanaspati industry in a systematic manner. The Committe recommend that Government should collect the figures for demand of edible oils for the vanaspati industry for the purpose of effective planning of availability of the raw material for the industry.

Demand and Production of Vanaspati

4.33. The demand and production of vanaspati has been indicated as under:

(In lakh tonnes).

	Demand	Production
1971-72	6·00	5·94
1972-73	6·25	5·80
1973-74	6·50	4·65
1974-75	6·80	6·80
1975-76	7·10	7·10
1976-77	7·40	7·40
1977-78	7·70	7·70
1978-79	8·00	8·00

Decline in Production of Vanaspati

4.34. It is observed that the production of vanaspati during 1971-72 was 5.94 lakhs tonnes. During 1972-73, the production declined to only 5.80 lakhs tonnes as against the demand of 6.25

tonnes during that year. It stated that the low production during 1972-73 was largely due to the difficulties faced by the industry in the latter part of taht year as a result of steep power cuts in many States which had affected production both of raw oils as well as of vanaspati itself. This factor, coupled with a basic shortfall in groundnut production, led to a situation in which the factories were unable to obtain raw oils except at exorbitantly high prices.

4.35. During 1973-74, Government expect a further fall in the production of vanaspati to 4.65 tonnes only as against the assessed demand of 6.50 lakh tonnes during the current year. It is stated that the decline would be mainly due to inadequate availability of raw oils resulting from the steep fall in the production of groundnut during 1972-73 season coupled with inadequate availability of oils even in world markets for supplementing the shortfall in indigenous production.

4.36. Asked what steps were envisaged to meet the expected shortfall in the production of vanaspati during the csurrent year, the Ministry of Agriculture have in a note furnished to the Committee stated:

> "As then shortfall in production of Vanaspati during 1973-74 was occasioned not by lack of manufacturing capacity in the country, but solely by inadequate availability of indigenous as well as imported oils for being processed into Vanaspati, there is little that Government could do for relieving the situation beyond taking steps to ensure the best possible distribution of the reduced supplies available during the year. At the instance of the Government, the Vanaspati Manufacturers' Association has offered to place the entire production of its member-factories at the disposal of State Governments for distribution through fair price shops. Many of the State Governments were able to take advantage of this offer and organise the distribution of vanaspati at controlled rates in a systematic manner. Even in the rest of the States, the industry is committed to ensure equitable distribution of the product through normal trade channels. The interest of the State Governments flagged as soon as the Vanaspati position showed signs of improvement".

Licensed Capacity, Installed Capacity and Production of Vanaspati.

4.37. The manufacturing capacity licensed and installed in the vanaspati industry and the production of vanaspati during the years

1972-73 and 1973-74 had been indicated as follows:—

(In lakh tonnes)

Year	Licensed capacity	Installed capacity	Capacity under implemen-tation	Lakh tonnes per year production
1	2	3	4	5
1972-73	17·61	11·82	5·79	5·80
1973-74	17·61	12·00	5·61	4·65

4.38 The delays in the implementation of licensed capacity are stated to be partly due to difficulties in obtaining finance or construction material and party due to the projects being located in backward areas where the requisite infra-structure has not yet developed. Asked to state as to how it was proposed to get over these problems, particularly in regard to the development of the requisite infractructure in the backward areas, the Ministry of Agriculture have stated that the development of infra-structure in backward areas "falls wholly within the purview of the State Governments concerned, and is not a matter in which this Ministry is in a position to take any direct action."

4.39. Replying to the question whether the delays in implementation of the licensed vapacity are also to any extent responsible for the low production of vanaspati in the country, it is stated that as the capacity already installed viz. 12.0 lakh tonnes is almost 100 per cent in excess of the prevailing demand for the product, the delay in implementation of the licensed capacity, whether for lack of finance, or of the requisite infra-structure, is in no way responsible for the low production of vanaspati in the country.

4.40. It is further stated that in view of thc surplus capacity available in this industry, production of vanaspati is generally geared to the prevailing demand for the product. Despite the steep rise in installed capacity resulting from the partial delicensing of the industry during September 1968—February 1970, the demand for vanaspati in the country is still around 6 to 6.5 lakh tonnes per year and hence, even under normal circumstances, the production of vanaspati in 1972-73 could not have exceeded 6.25 lakh tonnes.

4.41. The production of vanaspati during 1972-73 was 5.80 lakh tonnes against the demand of 6.25 lakh tonnes. The likely produc-

tion during the current year (1973-74) is 4.65 lakh tonnes against the estimated demand of 6.50 lakh tonnes. The main reason indicated for the low production during 1972-73 and the current year is non-availability of edible oils except at exorbitantly high price on account of shortfall in groundnut production during 1972-73. An additional reason for the low production during 1972-73 was the prolonged power cuts imposed by various States. In this situation, the Ministry of Agriculture maintain that there is little that Government could do for relieving the situation beyond taking steps to ensure the best possible distribution of the reduced supplies available during the year. The Committee however feel that, as pointed out by them in an earlier paragraph, much of the distress caused on account of shortfall in production of edible oilseeds during 1972-73 and 1973-74 could have been relieved, had the Government arranged imports of edible oils|oilseeds in time.

Reasons for current shortage of Vanaspati

4.42. During evidence in February, 1974, the representative of the Ministry of Agriculture also stated that the disappearance of vanaspati from the market "is a periodical phenomenon and it was particularly more pronounced in the last one month." According to him, in November, 1973, upon the new groundnut coming to the market, the prices fell and consequently the vanaspati prices also fell. Toward the end of December, 1973 and in January, 1974, the groundnut oil prices shot up "very considerably". Various factors, he said, contributed to this rise, e.g. (i) rumour that the expected production of groundnut had not materialised, (ii) forward trading in this commodity in the name of Linseed oil (iii) reports that some oil was going to neighbouring countries, and (iv) toning up by the Gujarat Government of their sales tax collection procedure which interfered with the normal movement of groundnut oil to areas outside Gujarat. He stated that at present forward trading in minor oils was not banned and the traders, taking advantage of that lacunae, engaged themselves in forward trading in major oils in a benamie way. The Ministry of Commerce had, therefore, been moved to ban forward trading in all oils and to make the penalty provisions in regard to forward trading more stringent. This matter, he said, was under consideration of the Ministry of Commerce. The witness further stated that as a result of talks with the Government of Gujarat at the highest level, "the situation improved to some extent and also the prices in Bombay began falling." But, within a few days, disturbed conditions in Gujarat set in and the situation had a relapse. The production of vanaspati, he said, was normal in November and December but in the first fortnight of

January it was only 50 per cent. Again from the second fortnight (of January) the production had picked up and, according him, "now there is good indication that it may come up to normal."

4.43. Replying to the question whether the shortage of vanaspati could also be due to stock pilling by the manufacturers or cornering of stocks, the representatives of the Ministry stated that it was not of any advantage to the factories because of the high rate of interest on bank credits.

4.44. Another point raised during evidence was that vanaspati stock could have accumulated with the factories because timely despatch instruction were not given by the Government to them. In this connection, the representative of the Ministry of Agriculture stated:—

> "There was no control on its distribution and movement. We had worked out a formula taking into account the production of 1972, its previous year and also the movement pattern in normal circumstances. We have got figures regarding its movement. So, taking into account the normal production in the previous year and also the normal pattern of movement, we had negotiated with the industries as to how much of it should go to each State and we are also telling them that the production is subject to fluctuation. We have also told them that according to the fluctuations in a particular State, its quantity will also be increased proportionately. To this, the industries have agreed to and many of the State Governments which have a proper distribution system took the maximum advantage of it, including Maharashtra and Gujarat. But, in November, when the situation eased considerably and the Government was able to reduce the prices of vanaspati, a problem arose for the State Governments as to what should be done with the stock in hand. Along with this, there was a problem of making good the effect on the fall in prices. Consequently, most of the State Governments had abandoned this interest. This is exactly the reason why the industries insist on maintaining their own trade channel, because there were occasions when the State Governmnts had shown interest in distribution and there were occasions when they did not do it."

4.45. The Committee observe that, although the availability of edible oils in the market ultimately depends upon the production of oilseeds in the country, in their day-to-day procurement transac-

tions the vanaspati industry is entirely at the mercy of the trade in edible oils. The Committee, therefore, recommend that Government should take suitable measures for eliminating undesirable trade practices such as speculative forward trading in oils etc. which distort the availability and price situation in the market.

Constraints on the use of oils for manufacture of Vanaspati

4.46. Government have laid down the following constraints on the use of oils for the manufacture of vanaspati:—

Groundnut oil .	50% maximum (on the average) (with Zonal variations) of the total oil base.
Cottonseed oil . .	15% minimum with fiscal incentives for encouraging use at higher levels.
Mustard oil .	15% maximum.
Liquid oil . . . (Sesame, safflower, kardiseed and nigerseed).	10% minimum.

4.47. It has been represented to the Committee that "for individual units the loss of flexibility in the use of oils readily available specially in periods of transport difficulty, does impair prduction". Asked to indicate their reaction to this representation, Government have, in a note furnished to the Committee, replied that sufficient flexibility in the use of oils, for which maximum or minimum limits have been prescribed has been already provided to the industry—by requiring compliance with these limits, not on a batch-wise basis, but on a two-monthly average basis. Hence in the event of any delay in receipt of any of these oils, it is open to the factories to make up for the resultant deficiency over a two-month period, the total usage over this period being averaged out for checking compliance with the requirements. Where, as in the case of the transitional months between one crop season and another, a still larger measure of flexibility was considered necessary, the period of compliance with these minimum/maximum limits has been extended still further. Thus during the period November to February of each year, the limits for cottonseed/groundnut oil will be applied to the average usage of these oils during the entire four-month period.

4.48. The Committee recommend that Government may examine whether the existing constraints on the use of edible oils for manufacture of vanaspati could be applied on the basis of an average for any period longer than two months without appreciable adverse implications to be the consumers of edible oils.

(b) Distribution

Control over prices or movement of edible oils

4.49. It is noted that while the prices of Vanaspati are subject to statutory control, there is no direct price control on vegetable (edible) oils at the All India level. However, certain States Governments have been empowered under the Essential Commodities Act, 1955 and the Defence of India Rules to regulate the prices and distribution of edible oilseeds and oil in their respective States. Very recently prices of filtered and refined groundnut oil sold in the Bombay Rationing Area have been brought under control by the Maharashtra Government under the Maharashtra Scheduled Articles (Bombay Rationing Area) (Price Control) Order, 1973 issued on 16-8-1973.

4.50. Government were asked whether they had examined the feasibility of imposing control over the price and movement of vegetable (edible) oils at the All India level so as to obviate the need for fortnightly review of the prices of vanaspati and also to facilitate the even flow of the raw material to vanaspati induustry. In this connection, Government have stated that the edible oils situation in our country is characterised by a gap between supply and requirements which are increasing as a result of growth of population and incomes. Moreover, substantial quantities of edible oilseeds and oils move out from the main producing States to other States for meeting the consumption needs. While restrictions of the movement of edible oils may result in increased availability or lower prices in the main producing areas, these restrictions, by themselves, would not lead to an improvement in the overall oils situation in the country, or in the deficit areas. If movement restrictions are imposed, it would be necessary for the Central Government to regulate the flow of oils and oilseeds from producing to consuming States according to some system of quotas. This would need a scheme of procurement and controlled movement and distribution of oils and oilseeds in various States in the country. The control over oils would also require a control over oilseeds. Several problems are involved in the procurement of oils. Bulk of the production of edible oils is from the unorganised sector, such as village ghanies, which are scattered throughout the country. Collection of oils from these small units, would involve many practical, administrative and financial problems. It would also be necessary to set up the required infra-structure for collection as well as distribution of these oils.

4.51. As regards price control over the raw edible oils, it is stated that enforcement of price control on edible oils also involves several

problems. In order that there is a balance between supply and demand at the control price, it will be necessary for Government to acquire control over supplies and also to regulate demand by such measures as allotments for various uses to States, etc. This would mean ensuring effective control over distribution and movement of oil and having effective arrangements for the same. In the absence of such effective control, there may be a tendency for black marketing and available supplies going underground. Further, control over prices of oils would also require control over prices and movement of oilseeds. The difficulties mentioned above would apply also in the case of enforcement of price control over edible oilseeds.

4.52. It is further stated that the Government of India have decided, in principle, to set up an Edible Oil Corporation at all-India level. Tentatively, it is expected that this Corporation will perform shch functions as internal purchases, imports and exports of edible oilseeds/oils. The details of the Corporation are still being worked out.

4.53. The Committee appreciate the difficulties involved in regulating the price or movement of edible oils because of the dispersed nature of the industry. At the same time, an assured flow of supplies at a stable price level to the vanaspati factories is necessary for meeting the vanaspati needs of the common people particularly in the northern region. The Committee therefore recommend that besides making available part of their requirements out of imports, Government should examine as to how they could assist the vanaspati industry in procuring from the local market their requirements of edible oils on assured basis and at a price which may be stable over a period.

Pricing of Vanaspati

4.54. Prices of Vanaspati are subject to statutory control-the notified prices being linked to the prevailing prices of raw oils from which it is manufactured, to which are added the approved conversion costs. The prices of vanaspati are being announced every fortnight on zonal basis according to the prevailing prices of raw oils.

4.55. It was observed that there have been many occasions during the current year when the controlled price of vanaspati was less than the price of vegetable (edible) oil from which it is manufac-

tured. The following figures pertaining to the period August 16 to August 31, 1973 illustrate this:

	Price per Tonne in Rs.	
	Vanaspati	*Groundnut oil*
Northern Zone	7552	7640
Southern Zone	7387	8572
Eastern Zone	7576	8380
Western Zone	7480	8751

Explaining this anomaly, Government have stated that the prices of vanaspati are fixed with reference to the purchase prices of groundnut and other oils during the penultimate fortnight (vanaspati prices for say, the second fortnight of January being based on oil prices during the second fortnight of December) steep rise in the prices of groundnut oil in the intervening period *i.e.* since the close of the reference period, could conceivably lead to a situation when the price of vanaspati is lower than the prevailing price of groundnut oil. Such a situation could also arise if the prices of vanaspati are fixed on the basis of usage of cheaper imported oils at very high levels; the heavy depression of the raw oil base arising from such large usage of cheaper imported oils could also result in the notified prices of vanaspati being lower than the prices of indigenous raw oils. It is further stated that to avoid such a situation, an effort is made to restrict the usage of imported oils within specified maximum limits in such a way as to ensure an edequate differential between the prices of vanaspati and the prices of raw oils.

Un-realistic Pricing of Vanaspati

4.56. It has been represented to the Committee that the "principal cause for the decline in production from February (1973) onwards" was the accumulated loss of nearly Rs. 7 crores incurred by the vanaspati industry on account of unrealistic pricing of the commodity by Government. This coupled with stringent credit restrictions, it is stated, eroded the financial capacity of most factories to carry on production. Asked to indicate their views in regard to this complaint, Government have in a note furnished to the Committee stated that the reference to the accumulated loss of nearly Rs. 7 crores incurred by the industry possibly relates to the delay in receipt of imported oils by some of the factories to the full extent of the usage prescribed in the pricing formula. As to the reason for not supplying the imported oil to the factories when prices were fixed on that basis, it is stated:—

"While ordinarily imported oils are made available to the factories to the required extent in time, occasions arise when, due to one reason or the other, some delay occurs in the receipt of such oils by the factories. In the situation obtaining in this country, where the prices of indigenous oils are continuously on the rise, the delayed receipt of imported oil pertaining to the requirements of a given fortnight, and its utilisation on receipt at a later date, at a time when the prices of indigenous oils have significantly risen, actually confers on the factories a net gain, even after allowing for the interest on the additional expenditure incurred on higher-priced indigenous oil during the intervening period. In the event, thanks to the vigorous measures taken by Government to step up imports and expedite movement of the imported oil from the port towns to the factories, the backlog of imported oil which stood at 38,000 tonnes for the industry as a whole at the end of May, 1973 was progressively reduced to just 13,000 tonnes by the end of November, 1973 and 11,200 tonnes by mid-January, 1974. Besides, all through the past 12 months since January, 1973, the prices of indigenous oils have, except for very brief periods, been continuously on the increase; and hence, for the reasons stated earlier, the so called national usage has proved to be a source of unearned profit to the industry, notwithstanding the industry's protestations to the contrary, and not a loss."

4.57. As regards credit restrictions, it is stated that as a rule, these are being decided upon by the Reserve Bank of India after taking into account the minimum essential requirements of the factories for maintaining optimum production. Whenever any specific hardship is brought to the notice of the Ministry the matter is taken up by them with the Reserve Bank for reviewing the position in the light of the difficulties faced by the industry.

4.58. During evidence, the representative of the Ministry dealing with the question of vanaspati prices stated:

"Vanaspati consumers will be about 25 per cent of the total population and the remaining 75 per cent are the consumers of edible oil directly and they are putting up with steep rise in prices and it is only in the case of Vanaspati consumers who form 25 per cent of the total oil consumers that their problem is being very much agitated..... Vanaspati is one edible oil which is being controlled in the matter of price and normally it is a manufactured

product. The price of the manufactured product should, in normal circumstances, be more than the price of raw edible oils which go into its manufacture. Unfortunately, in our present control operation, we see to it that the Vanaspati prices are not revised upward as far as possible. It has often been the case that the price of Vanaspati is one rupee or even two rupees less per kilo than the raw oil price, with the result even people who normally consume edible oils directly tend to switch over or divert their attention to Vanaspati. Therefore the pressure on Vanaspati mounts."

4.59. Government have admitted that occasions arise when some delay occurs in the receipt of imported edible oils by the vanaspati factories thereby making the announced prices of vanaspati unrealistic and resulting in loss to the factories which, the industry maintain, is one of the causes for shortfall in production. The Committee are unable to appreciate the argument that the delayed supplies of imported edible oils in fact confer upon the factories an advantage as the prices of indigenous oils are constantly rising. The Committee recommend that Government should ensure that imported edible oils are made available to the factories to the full extent of usage prescribed in the pricing formula announced by Government themselves, so that the industry is not to face the predicament of selling their finished product at prices below the cost of the raw material.

4.60. The Committee also recommend that Government may review the existing method of pricing of vanaspati as it causes undue pressure on imported edible oils, supplies of which are uncertain, and also makes for fixing the prices of vanaspati quite unrelated to the prevailing prices of edible oils out of which it is manufactured.

Control over Distribution of Vanaspati

4.61. It is stated that no control is being exercised by the Government on the distribution of vanaspati. However, at the instance of the Government, the industry has offered to place its entire production at the disposal of the State Governments for distribution through fair price shops. This offer was brought to the notice of all the State Governments, who were also apprised of the names of the factories and the quantities of vanaspati which they were normally expected to make available to them for the purpose. Many of the States, which have developed satisfactory distribution

arrangements of their own, were able to take advantage of this offer and organise distribution in a systematic manner. Even in the case of the other States, the industry is committed to ensure equitable distribution of the product at controlled prices through normal trade channels.

4.62. The Committee would like Government to once again impress upon the State Governments the need for proper distribution of vanaspati, preferably through fair price shops on Ration Cards, by taking advantage of the offer of the industry to make available to State Governments the entire production for distribution through public agencies.

4.63. The Committee suggest that in small towns and rural areas where the distribution of vanaspati is entirely in private hands, it would go a long way in improving distribution if the District Magistrate is regularly informed of the despatches of vanaspati to dealers in his District and he in turn adequately publicises the same in his District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.

4.64. The Committee understand that the pressure on vanaspati seems to stem from two factors namely, competitive prices as the prices of vanaspati contain an element of subsidy represented by imports of edible oils at cheaper rates, and the consumers preference for hydrogenated oil. The first factor can be taken care of by maintaining reasonable parity between the prices of vanaspati and those of edible oils. As for the second factor, it may be possible to meet it to some extent by publicising widely that the traditional use of raw edible oil as a cooking medium has its own value and in fact the use of unsaturated oils is in the better interest of public health. This two-fold approach may well make for relieving the undue pressure on vanaspati which is leading to scarcity conditions in urban and metropolitan areas.

CHAPTER V

DRUGS AND KEROSENE

A—DRUGS

(a) Availability

Demand, Production and Imports

5.1. The demand, production and import of drugs have been indicated to the Committee as follows:—

(In Rs. crores)

	Demand	*Production*	*Imports*
1969-70		235·00	0·18
1970-71		265·00	0·24
1971-72	..	300·00	0·27
1972-73	..	345·00	0·17
1973-74	380	380·00	N.A.
1978-79	600	600·00	N.A.

5.2. It is stated that by and large the availability position of Drugs has been satisfactory. Temporary shortages of certain branded medicines in certain parts of the country were, however, observed, but equivalent medicines or substitutes produced by other manufacturers were also available in the market. The concerned manufacturers of such branded medicines were advised by Government to rush supplies immediately to the affected areas. In certain cases imports were also allowed.

Plans for Future

5.3. It is stated that the Planning Commission set up a Task Force for the Drugs and Pharmaceuticals Industry for assessing the present status of the Industry and draw up a plan for the Fifth Plan period. The Task Force was also required to make recommendations as to how the plan requirements should be achieved along with other relative matters. The Task Force has since submitted its report which is under consideration of the Planning Commission. According to the recommendations of the Task Force, the production of drugs and pharmaceuticals should be raised to value of

of Rs. 600 crores by 1978-79. This would involve bulk drug production of the value of approximately Rs. 200 crores annually as against the present level of Rs. 55-60 crores. The task force has also identified the individual bulk drugs and estimated their demand by 1978-79.

5.4. It is further stated that drugs are essential items which should be available to the common man at reasonable prices. For this purpose, it is necessary that the share of the public sector in the drug production should be substantially increased. The project-cum-feasibility reports submitted by Indian Drugs & Pharmaceuticals Limited and Hindustan Anti-biotics Limited involving an outlay of about Rs. 100 crores are being examined by Government in consultation with the Planning Commission. The gap is expected to be covered by the private sector. Already, the Ministry of Industrial Development, Government of India have issued guide lines to the entrepreneurs in pursuance of the industrial Policy notified on 2nd February, 1973 indicating the items in which there is further scope for licensing.

Canalisation of Imports

5.5. It is stated that one of the steps taken in the interest of the supply of drugs and formulations to the common man at cheap rates is the canalisation of imports of bulk drugs and intermediates. According to Government, this measure has been taken with a view to maintain the prices of imported drugs to the minimum possible level through the State Trading Corporation making purchases in the international market at competitive prices so that firms here do not purchase these drugs at exhorbitant prices from their principals and contacts abroad. State Trading Corporation have the necessary expertise to float tenders, arrange imports etc. They have established a net-work of offices all over the world and with the contacts established by them, they are in a better position to secure bulk drugs of high quality at competitive prices than would be possible for others. The benefit of lower prices is passed on to the consumer through the system of pooled prices. The number of items canalised has been progressively increased from year to year. In 1973-74, 36 items were canalised having an estimated import value of Rs. 17 crores.

5.6. Government maintain that no serious complaints of shortage of canalised items have been received by them in the past. A few complaints of shortages of certain newly canalised items were,

however, received. The shortages were largely due to the fact that for the items recently canalised, State Trading Corporation had to locate the sources of their supply and also some time was taken in getting releases of foreign exchange for the import of these items. STC have since been able to procure the materials and the requirement of actual users are now being met. Whenever the Corporation finds that they are unable to organise import of essential bulk drugs canalised through them, they issue a letter of authority to the actual users for importing that material. The system has, therefore, been working satisfactorily and Government do not consider it desirable to allow import licences direct to the actual users so far as the canalised items are concerned.

Stability of Policy

5.7. A non-official organisation has represented to the Committee that there was an uncertainty in the minds of the industries regarding the future policy of the Government of India. Government of India should, it is suggested, came out with a permanent policy in respect of pricing, import policy, export policy, etc. Government were asked to indicate their view point in regard to this representation. In a note furnished to the Committee, Government have stated that the pricing of drugs is determined in accordance with the Drug (Price Control) Order. The policies of the Government in regard to imports are finalised before the commencement of each year and are published in the Import and Export Trade Control Policy Book each year. The policies generally remain current for the whole year unless special circumstances warrant any specific change. With a view to ensure continuity of suplies of essential raw materials at reasonable prices, Government have canalised for import, through State Trading Corporation, 36 bulk drugs and intermediates. The details regarding quantities and items to be imported through State Trading Corporation are finalised in a meeting held in the Ministry of Petroleum and Chemicals, generally in December each year where representatives of STC,IDPL, DGHS and DGTD are also present. This takes not of the anticipated demand and the indigenous production for these items during the ensuing year and the gap to be filled up through imports. This assessment is discussed with the representatives of the industry in the Advisory Committee meeting of the S.T.C. well before commencement of the financial year so that S.T.C. may have sufficient time to enter into firm commitments during the year. The drugs falling within the manufacturing range of Indian Drugs and Pharmaceuticals Ltd. but which are canalised through S.T.C. are

distributed by I.D.P.L., and other drugs are distributed directly by the S.T.C. In so far as the export policy is concerned, the drug industry is compulsorily required to export 5 per cent of their value of production, failing which their import licences are curtailed proportionately. In addition, export obligations are also imposed on foreign companies, larger houses and others, taking into account the possibilities of exporting such items to foreign markets.

5.8. It is further stated that Government expect that the overall drug production in the country will be increased to Rs. 500 crores by the end of the Fifth Plan. The schemes also envisage expansion of the Iidian Drugs and Pharmaceutical Ltd. and Hindustan Antibiotics Ltd., the two public sector projects involving a capital outlay of Rs. 40 crores and Rs. 30 crores respectively during the Fifth Plan, and the turnover of the two public sector projects is also expected to be increased to Rs. 184 crores (bulk drugs Rs. 78 crores, formulations Rs. 106 crores). "The Guidelines for Industries" issued by the Ministry of Industrial Development in August,1973 indicates the gap in production of various bulk drugs on the basis of the present capacity in the country *vis-a-vis* the demand estimates. It also indicates Government's policy with regard to production of drugs. Such Guidelines are proposed to be issued annually. Government therefore maintain that the policy with regard to pricing, imports, exports, etc. is explicit.

5.9. The Committee are informed that the steps taken by Government to provide drugs and medicines to the common man at reasonable prices consist of a substantial expansion of the share of the public sector in the drug industry and a progressive increase in the number of items for which imports are canalised through public institutions. The Committee need hardly emphasise that the real test whether the steps taken by Government actually subserve the objective, would lie in a substantial reduction in the prices of canalised imported drugs and intermediates and of the drugs produced in the public sector. The Committee would therefore like Government to keep a watch on the price trend in respect of such drugs and bring about such changes in the policy of the Government as may be called for in the light of experience.

5.10. At the same time the Committee would like to point out that it is common knowledge that the foreign companies, who are manufacturing and selling drug formulations under brand names, are charging exhorbitant prices for their products quite unrelated to their cost of priduction and are repatriating these profits to their principals abroad at a scale far out of proportion to their invest-

ment. The Committee recommend that Government should keep in view the role of these foreign drug companies and take such control measures as may be necessary to prevent them from exploiting the ailing public.

(b) Distribution

High Price of Canalised Drugs

5.11. It has been represented to the Committee that the pooled prices of canalised imported drugs also in the range of production of public sector units are fixed at a very high level on account of the inefficiency on the part of public sector units resulting in high cost of production of their own produce. It is further stated that "to cover up the inefficiency on the part of the IDPL and to make profit from the imported items, IDPL have kept the higher prices of such items". As an illustration, it is pointed out that tetracycline is being imported by IDPL. As against the international price of Rs. 150 per kg. the pooled price of this item has been fixed at Rs. 650 per kg. Government were asked to state whether the allegation was true and whether any study had been made as to whether the cost of imported raw materials/drugs had in fact gone down as a result of canalisation through public agencies. In reply it is stated that in order to eliminate the dual prices that would prevail in the market for the same bulk drug (i.e. indigenously produced as well as imported) and also to ensure availability of raw materials at the same rates to different manufacturers, a system of pooling of prices was evolved by Government in July, 1970. Under this system, pooled price is fixed by taking the weighted average of the prices allowed to indigenous manufacturers and the price of the imported materials. A system of weighted prices, according to the Government, would not lead to either profiteering by importing institutions concerned nor would it set profitability as criterion for such imports. However, the likelihood of plus or minus emerging as consequence of this system of pooled prices cannot be ruled out. Government maintain that it is their constant endeavour to ensure that the system of pricing, based on the principle of weighted average, is worked out in a manner which should be equitable to all concerned.

5.12. It is further stated that the prices in the international market are not stable and have kept on changing from time to time. It is, therefore necessary for the canalising agencies to keep a fair margin available with them with a view to absorb losses accruing from sale of canalised items on a short term basis where

prices of imported materials go up. According to a list furnished by STC to Government, prices of imported drugs have increased substantially in the international market. Pooled prices of canalised items are therefore fixed keeping in view the prices of imported drugs and prices of indigenously produced drugs by adopting a weighted average therefrom.

5.13. As regards the question whether the prices of drugs have in fact gone down after canalisation, it is stated that as the international market prices have gone up substantially in all cases in the recent past, the question of prices of imported raw materials going down as a result of canalisation through public agencies would not arise. Government find it "extremely difficult" to furnish a comparative study of the prices of drugs imported by private parties before canalisation and the import prices of the drugs canalised through S.T.C. as "prior to canalisation these were being imported by a large number of firms from numerous sources".

5.14. The question that although the imported cost of tetrecycline was very low, it was being marketed by the IDPL at a very high pooled price on account of the high cost of production of IDPL manufactured tetracycline, was raised during evidence also. The representative of the Ministry of Petroleum and Chemicals admitted that the landed cost of the drug came to Rs. 352 but the pooled price at which it was being marketed was Rs. 650. He also admitted: "our cost of production is much higher than the international prices for most of the items" because of "higher cost of equipment and higher cost of maintenance etc.", but maintained:

> "....The fact remains that the prices which go to the consumer are among the lowest in world. In fact, no other country except perhaps UK has prices of that order. Despite high prices of bulk drugs, the prices to the consumers are lower than perhaps anywhere else in the world."

5.15. The Committee regret that while the avowed objective of import canalisation of drugs is to make them available to the formulators and consumers at a cheaper price, Government find it "extremely difficult" to assess as to how far this objective has been achieved after canalisation. They note that Indian Drugs and Pharmaceutical Limited are distributing the canalised imported drugs, which are also produced by them, at "pooled" prices, after taking into account the cost of production of their own product. This system has led to, at least in the case of one imported item, a very wide gap between the landed price and the price at which it is actually distributed. Under this system the higher cost of indigenous pro-

duction are offset by lower imported costs at the expense of the consumer and therefore there is hardly any incentive for the IDPL to effect economy in the cost of their production. The Committee, therefore recommend that every effort should be made by IDPL to reduce their cost of production so as to bring it at par with the cost of imported drugs, if not lower.

Fixation of Price of Drugs

5.16. One concrete measure taken by Government to make available cheaper medical aid to the people is to impose statutory control on the prices of drugs. A comprehensive order called Drugs (Prices Control) Order, 1970 (DPCO) was issued in May 1970 under the Essential Commodities Act. The order provides for fixation of prices of 18 bulk drugs on the basis of the recommendations of the Tariff Commission. The prices of other bulk drugs which were not examined by the Tariff Commission were frozen at the level prevailing in May 1970. Regarding the prices of formulations, the principles of pricing have been laid down in the Drugs (Price Control) Order, 1970. Selling prices of 17 essential bulk drugs were fixed by Government on the basis of Tariff Commission's recommendations. The Government, have, thereafter set up a working Group under the Chairmanship of the Chairman of the Bureau of Industrial Costs and Prices to examine and suggest revised fair selling prices of 23 bulk drugs and empty hard gelatine capsules. Report of the Working Group has been received and is under consideration of Government.*

5.17. In order to allow greater flexibility for self regulation by industry and in order to ensure that the system of price control does not become a restricting factor in the development of the industry, an alternative pricing scheme has been permitted to be availed of at the option of the different units. The alternative scheme of pricing attempts to control pricing by restricting the overall gross profit of the manufacturer by de-limiting it upto 15 per cent of the annual sales turn-over. Where the actual gross profit before tax for any particular year exceeds 15 per cent of the sales turnover of the year, the excess cannot be distributed as dividend but has to be reserved for utilisation in research and development of funded for adjustments against future profits of the firm or utilised for any other purpose as may be specified by the Government. Apart from this, minimum rates of trade margins of whole sellers and retailers have been prescribed and are to be met from the mark-up. The small

*At the factual verification stage Government have stated that decision has been taken by them on some of the recommendations contained in the report of the working group

scale industries, having an annual turn over of less than Rs. 10 lakhs, have been excluded from the provisions of this Order.

5.18. Replying to the question as to how were the drugs prices reviewed or revised, Government have stated that whenever the firms ask for increase in the prices, they are asked to submit documentary proof in support of their claims. In some cases, they are asked to submit Chartered Accountant's Certificate in lieu of the documents where the documents required to be sent are voluminous. At the same time, the profitability position of the firms is also looked into to examine as to whether the firms could be asked to absorb such increase or any portion thereof within their profit margin or mark-up allowed. In case of imported materials where the prices have gone up due to any reason *viz.* exchange rate, cost duty etc. the manufacturer is asked to submit the bill of entry in support of his claim. All such cases are examined by the Price Review Board on individual merits.

5.19. During evidence, the representative of the Ministry of Petroleum and Chemicals stated that an attempt was made to assess the impact of the Drug (Price Control) Order after examining the figures of returns of certain companies with the following result:

> "In the case of 45 firms with a measure of foreign equity, the gross profit on sales turnover in 1969-70 before the imposition of the order was 17.55 per cent whereas in 1971-72, after the Price Control Order had come into being, this fell to 10.87 per cent. In the case of Indian firms also, the Price Control Order resulted in reduction of profits. Before the imposition of the order, the percentage of profit on sales turnoover was 10.48 per cent whereas in 1971-72 it came down to 7.58 per cent."

5.20. A point was raised during evidence that the big drug manufacturing concerns were buying bulk drugs from the small manufacturers at cheap prices and charging high prices for formulation sold under their own brand name. The representative of the Ministry dealing with this point stated that the system of pricing that we had did not admit of such a case. According to him: "The mere fact that it is a brand name does not make any difference. In fact, the drugs sold under brand names have to pay excise duty whereas the generic names are exempt from excise duty."

5.21. The Committee recommend that Government should take an early decision on the Report of the Working Group appointed to examine and suggest fair selling prices for certain bulk drugs. They would further like Government to keep a close watch on the prices

of drugs so as to ensure their availability to the consumers at the prices fixed.

Cheap Packing

5.22. It is stated that the cost of bulk drug is usually a small portion of the total cost of the formulation and in order to achieve cheap prices of the formulations, the main point would appear to be to have the cheapest technically acceptable packing. The Ministry of Health are also considering the matter with a view to indicate proper packings to be adopted for various kinds of formulations. This the Government maintain, may also help in reducing the cost of formulations and making available cheaper medical aid to the people.

5.23. The Committee would like the Ministry of Health to finalise early their views regarding cheapest acceptable packing for drugs and formulations so as to cut down costs and bring the prices of drugs and formulations to the minimum.

Control on the Movement and Distribution of Drugs

5.24. No statutory control is being exercised on the movement/distribution of drugs. The release of imported bulk drugs canalised through the State Trading Corporation to the individual manufacturers/formulators is, however, being made on the recommendations of the licensing authority/State Drug Controllers.

Availability in Rural and Remote Areas

5.25. It has been represented to the Committee that the non-availability of essential drugs in the remote areas and villages in the country is also due to the fact that the trade margins allowed are very much on the low side which prevents the holding and movement of stock and the absorption of local taxes. It has also been represented that in certain States such as Tamil Nadu, multi-point Sales Tax is levied on drugs which the trade margins cannot absorb. To facilitate free movement and availability of drugs at all points, it is suggested that the Sales Tax on drugs may be merged with Excise Duty or the system of single-point sales tax may be introduced. Government were asked to indicate their views in the matter. In regard to trade margins they have stated that the Tariff Commission had, in their report in 1968, recommended a commission of 25 per cent (15 per cent to the retailer and 10 per cent to other intermediaries) in the case of ethical drugs and 15 per cent (10 per cent to the

retailer and 5 per cent to other intermediaries) in the case of non-ethical drugs to be calculated on the return to the formulator as distinct from retail prices. Government after careful consideration decided that the trade commission at the rate of 20 per cent of the retail price (8 per cent to intermediaries and 12 per cent to retailers) in the case of ethical drugs and 15 per cent (5 per cent to intermediaries and 10 per cent to retailers) in the case of non-ethical drugs, will be reasonable. Later, on representations made, it was decided that in the case of ethical drugs, wholesalers are entitled to a minimum 2 per cent discount and retailers a minimum of 12 per cent. In the case of non-ethical drugs, wholesalers are entitled to a minimum of 2 per cent and retailers a minimum of 10 per cent. Now that the minimum trade commission is fixed, it is open to the parties concerned to negotiate for higher trade commission. The question of trade margin has, it is stated, also been examined by the Working Group of the BICP and their recommendations are under consideration. Government however, maintain that the non-availability of drugs in the mofussil areas cannot be due to low trade commission, as the delivery and freight costs are outside of these margins and are not to be met by the retailers.

5.26. In regard to multipoint sales tax levied by some States, it is stated that the retail prices fixed by the Government under the Drugs (Prices Conrol) Order, 1970 provide for Central Excise Duty but do not include local sales tax. The retailers are therefore free to charge local taxes in addition to the retail prices as may have been fixed by the Central Government for the drug formulations concerned. Government admit that it would be hard on the retailers and the wholesalers if they were to be asked by the State authorities to reduce their trade margins by absorbing the local taxes themselves. They however, maintain that as sales tax is a subject pertaining to the State Governments, and it is for them to devise suitable ways and means to meet the demands of the trade. According to Government, it would not be possible to merge Central Excise duty which falls within the purview of the Central Government with the sales tax which belongs to the State Government, though they feel that single point sales tax would certainly be preferable.

5.27. Government admit that varying rates of local taxes in the States or multi-point taxes in the same State make for scarcity of drugs, particularly life saving drugs, in the rural and remote areas of the country. While the Committee appreciate that the levying of local taxes including sales tax is a subject concerning the State Government, the Central Government could examine the problem in all its ramifications and tender suitable advice to the State Govern-

ments with a view to increase the availability of atleast life saving drugs in the rural and remote areas of the country.

Quality Control and Inspection

5.28. The Drugs and Cosmetics Act, 1940 regulates the import, manufacture, distribution and sale of drugs in this country. Under the provisions of this Act and the Rules framed under this Act, quality control is exercised over drugs that are imported into this country as also over those which are locally manufactured. The nature of control exercised over imported drugs and drugs manufactured locally is described below:—

Imported Drugs: All drugs which are imported into the country are inspected by officers of the Drugs Control Organisation of the Central Government posted at the ports at the time of import. The labels of such drugs are scrutinised to see whether all the particulars required to be shown on them including the claims for the drugs are in conformity with the provisions of the Drugs and Cosmetics Act the Rules. In addition, samples of imported drugs are drawn and sent for test to the Central Drugs Laboratory at Calcutta. In case the samples on test are found not to comply with the prescribed standards, the drugs are not permitted to be imported. Labelling deficiencies are also got rectified before being permitted entry into the country. Biological and special products like sera and vaccines, antibiotics, surgical ligatures and sutures, vitamins and hormones, glandular products, etc. are in addition, required to be imported under a licence under the Act. The Importer has to submit an undertaking from the manufacturer abroad whose products are to be imported to the effect that the conditions of manufacture required to be complied with under the Act are being complied with by him and that the standards of drugs and other provisions of the Act and the Rules will be complied with. Before granting licences for import, it is ensured that the importer has adequate storage facilities for storing biological and thermolabile drugs. The licensing scheme enables the Central Drugs Control Organisation to keep a check over the distribution of these biological products in the country subsequent to their import and in case any batch, during its movement in the country, is reported to have deteriorated, the importer (license) can be made to withdraw the defective drugs from the market.

Indigenously manufactured drugs: Under the Drugs and Cosmetics Act, drugs can be manufactured only against a manufacturing

licence. Manufacturers have to satisfy the following pre-requisite conditions to be eligible for a licence:—

(i) Employ adequately qualified technical personnel to supervise the manufacturing operation;

(ii) Maintain hygienic and adequate premises for the manufacture of the various categories of drugs covered by the licence;

(iii) Maintain necessary equipment and appliances required for the manufacture of the drugs proposed to be manufactured;

(iv) Test the raw materials used for manufacture and every batch of the products manufactured and maintain records of the test reports. The testing unit should be independent of the manufacturing unit.

(v) Maintain records and registeres showing the distribution of the manufactured products.

Manufacturing licences are of two kinds. The conditions of manufacture are more stringent for biological products including sera, vaccines, etc. than for other drugs. Drugs inspectors inspect the manufacturing premises and manufacturing licences are granted only if they are satisfied that the requirements of the legislation are complied with. Drugs Inspectors are also empowered to visit the manufacturing establishments during the process of manufacture and to satisfy themselves that the conditions of manufacture are properly observed. They can also take sample for test.

New Drugs: Under the provisions of the Drugs and Cosmetics Act, control is exercised over New Drugs also. Importers and manufacturers of New Drugs have to submit applications giving medical literature including details of the pharmacological and toxicity studies carried out with the drug. The medical literature, clinical reports etc. are examined and where necessary opinions of expert bodies are also ascertained and the pharmacological and toxicity data supplied are experimentally verified to confirm the claims made in the application. After verification of the above details only those drugs whose afficacy and harmlessness are found satisfactory and which are being marketed in the country of origin are permitted to be marketted in this country. Additional caution is also taken by which the label and literature that is to accompany the drug are scrutinised and suitable caution is required to be inserted in the label and litera-

ture. In case any adverse reactions are reported, the drug is not permitted to be marketed.

Drug Control Machinery

5.29. The regulatory measures under the Drugs and Cosmetics Act are in force for the last twenty six years. Enforcement of the regulatory measures in respect of drugs which are locally manufactured or which are distributed in the country is the responsibility of the State Governments and the Central Government is responsible for making uniform rules and regulations for observance by manufacturers and importers, for laying down standards for drugs and also for regulating the quality of drugs imported into the country. In order to make sure that the standards of enforcement are uniform and that the conditions of manufacture are the same throughout the country, the Central Government have established zonal offices and laboratories to assist the States in toning up Drugs Standards Control. The testing facilities available with the Central Government have been placed at the disposal of the States. Several States are already having testing laboratories of their own.

Efficiency of Drug Control Machinery

5.30. In a note furnished to the Committee in February, 1974, Government have admitted that although, the Drugs and Cosmetics Act has been in force for nearly 26 years, "the level of enforcement in the States is far from satisfactory". It is stated that with a view to identifying the shortcomings in the Drug Control Administration on an all-India basis, three Committees have studied all aspects of enforcement of drug control in the States and recommended the nature of reorganisation that is necessary. The salient features of the recommendations of these Committees are that for the Drug Control Organisation to be effective, the following pre-requisites are necessary:

(a) A full time Drugs Controller with necessary qualifications and experience.

(b) Adequate number of duly qualified inspectors on attractive pay scales.

(c) A full-fledged testing laboratory for testing all categories of drugs.

(d) A legal-cum-intelligence cell for carrying on a campaign against spurious drugs and for processing legal cases; and

(e) a machinery for maintaining public relations which is vital in the field of drugs.

It is further stated that at present, barring three States, most States have not been able to set up the requisite machinery and this has largely contributed to the present situation where sub-standard and spurious drugs continue to be prevalent. The Central Council of Health which consists of Central and State Health Ministers had passed Resolutions exhorting the State Governments to re-organise their drug control administration on the lines recommended by the Expert Committees. Although there has been some improvement in certain States during recent years, the position by and large in the country is stated to be "far from satisfactory".

5.31. It is recognised that drugs is a commodity which moves freely in inter-state commerce. It would, therefore, not suffice for a few States to have an effective drug control organisation as the good work done in these States would be nullified unless the standards of enforcement are uniformly stringent in all the States. Unscrupulous manufacturers and persons engaged in the manufacture and sale of spurious drugs generally make States where the drug control is lax, their hunting ground. If the prevalence of sub-standard and spurious drugs is to be reduced, it is necessary that all States in the country enforce the provision of the Drugs and Cosmetics Act strictly and set up the necessary machinery for the enforcement of this Act. Government proposed to discuss this question of strict enforcement of the Drugs and Cosmetics Act in the States at the next meeting of the Central Council of Health.

Specific Measures Taken to prevent sale of spurious drugs

5.32. Under the provision of the Drugs and Cosmetics Act and Rules made thereunder every manufacturer licensed to produce drugs is required to maintain adequate premises situated in hygienic surroundings, adequate equipment and employ competent qualified personnel for supervising the manufacture and testing of drugs. With a view to ensuring uniformity in the standards of inspection throughout the country, the Central Government have established zonal offices and have appointed their own inspectors for assisting the deficient States in the inspection of manufacturing firms and toning up of quality control measures. Joint inspections are carried out by Inspectors of the Central Drugs Standard Control Organisation and the State Drug Control Organisation and wherever deficiencies are noticed, the manufacturers are directed to rectify these deficiencies. In cases where it is observed that manufacturers have been lax in

the quality control measures, manufacturing licences have been suspended or cancelled.

5.33. In addition to assisting the States in inspection of manufacturing premises, the Central Government have organised training programmes for inspectors of the States and Centre for maintaining the technical knowledge up-to-date. So far nearly 90 inspectors have been trained under this scheme. The analytical facilities available with the Central Government have been placed at the disposal of the States and the Centre has also arranged for special facilities for training analysis from the States. Since the majority of the States do not have adequate testing facilities and also do not possess the financial resources for setting up these facilities, Government propose during the Fifth Five Year Plan to extend financial assistance to the States for establishing Food and Drugs Testing Laboratory for which a provision of Rs. 3.5 crores has been made.

5.34. The following measures have been taken by the Government to combat the manufacture and sale of spurious and sub-standard drugs:—

1. To eliminate unlicensed manufacturers of drugs, who usually indulge in manufacture and sale of spurious drugs an "All India List of licensed drug manufacturers" has been compiled and brought up-to-date. This list has been circulated to the associations of drug manufacturers and dealers, and State Drug Control Organisations.

2. The Drugs and Cosmetics Act has been amended and the extent of penalty for manufacture and sale of adulterated drugs manufacture without licence has been raised from 3 years to 10 years. Provisions have also been made for confiscation of equipment and implements employed for manufacture of such drugs as also the means of transport of such drugs.

3. The States have been advised to maintain close liaison with the Police authorities for the campaign against spurious drugs to be carried on intensively.

4. Whenever reports of spurious drugs are received by the Central Drugs Standard Control Organisation and whenever a racket is supposed to be of Inter-State character, special precautions are taken to alert the States concerned and to advise them to take necessary action with the assistance of the State Police.

5. The States have been requested to augment their Drugs Inspectorates and the testing facilities so that the scale of sampling is increased and quick test reports are obtained.

6. Zonal Offices of the Central Drugs Standard Control Organisation have been set up at Bombay, Calcutta, Madras and Ghaziabad to bring about a close liaison between the Central and State Organisations. One of the functions of the Zonal Officers is to investigate the movement of spurious drugs, particularly in Inter-State commerce and to ensure that the standards of drugs moving in inter-State commerce are stringently observed. The Zonal Officers are assisted in their task by Central Drugs Inspectors who work in close liaison with the State Drugs Inspectors. The Central Inspectorate staff attached to the Zonal Offices is being augmented.

7. The help and cooperation of Associations representing the interests of drug manufacturers and dealers are being enlisted to ensure maximum compliance with the good manufacturing and sale practices and their cooperation in the campaign aginst spurious drugs is lso being sought.

8. A training programme for Drugs Inspectors and Government Analysts has been arranged under the aegis of the Central Drugs Standard Control Organisation. These training programmes will help in more stringent enforcement of Drug Standard Control.

9. A constant liaison and dialogue with the State Drug Control Organisation is maintained by the Central Drugs Standard Control Organisation by holding meetings of the Drugs Consultative Committee, meetings of the Zonal State Drugs Controllers and through discussions by the Zonal Officers with the State Drugs Control Officials and by correspondence. The constant exchange of information helps co-ordination and intensification of quality control measures.

10. The States have been requested to constitute State Drugs Advisory Board on which representatives of the drug manufacturers, dealers, medical profession and consumers are associated to advise the State Governments on the measures to be taken for effective enforcement of the Drugs and Cosmetics Act.

5.35. The Committee need hardly emphasise the importance of qualty control on imported as well as indigenously manufactured

drugs. While the quality control on imported drugs is the responsibility of the Central Government, the quality control on indigenously manufactured drugs is the responsibility of the State Governments. As all the State Governments do not have an adequate drug control machinery, the Central Government have launched various schemes for assisting the State Governments in evolving suitable machinery for the purpose. The Committee hope that the Central Government would implement the proposed measures vigorously so as to enable proper quality control being exercised by the State Governments on the indigenously manufactured drugs which is vital for the health and well-being of the people.

5.36. The Committee feel that the IDPL, which is already playing a dominant role in the manufacture of basic drugs, should also take upon itself the responsibility for standardising the drug formulations. The standards evolved should thereafter be statutorily enforced upon the manufacturers.

5.37. The Committee would like Government to ensure that swift and deterrant punishment is meted out to manufacturers and dealers in spurious and sub-standard drugs.

B. KEROSENE

(a) Availability

Availability and consumption of Kerosene during 1971 *and* 1972

5.38. The availability and consumption of kerosene during 1971 and 1972 have been indicated by the representative of the Ministry of Petroleum and Chemicals during evidence as follows:—

(In million tonnes)

	Production	Imports	Total Availability	Consumption
1971	2·995	0·600	3·595	3·457
1972	2·813	0·767	3·580	3·506

Demand and production during 1973-74 *and future years*:

5.39. The demand and production of kerosene estimated for 1973-74 and for the last year of the Fifth Plan *i.e.* 1978-79 is as follows:—

(In million tonnes)

	Demand	Production
1973-74	3·79	3·31
1978-79	5·55	5·09

Estimates of Imports in future years

5.40. The estimates of quantity of kerosene to be imported during 1974 to 1978 have been indicated to the Committee as under:—

	(In million tonnes)
1974	1·16
1975	0·97
1976	1·11
1977	1·04
1978	1·26

It is stated that the quantum of imports have been estimated on the assumption that the Kerosene demand in the country will be met in full without the introduction of any curbs on the consumption. Since various measures are presently being contemplated for curbing the consumption of this product, it is likely that the quantum of imports may be less than what has been indicated above.

Decline in Production of Kerosene in 1972

5.41. The representative of the Ministry of Petroleum and Chemicals stated during evidence that the production of kerosene during 1972 was less than that during 1971. He, however, maintained that the decline in the production of kerosene was by design on account of the fact that during 1972, the prices of crude oil were rising but the prices of petroleum products were falling. Advantage was taken of this situation by reducing imports of crude oil (resulting in lesser production at home) and increasing the import of products (including kerosene). He said that the product pattern of refineries underwent changes from time to time in the light of economics of imports of crude oil or its products. Further, according to him, in determining the product pattern of refineries, more emphasis was placed on meeting the defence requirements.

5.42. In a subsequent note furnished to the Committee, an additional reason was given for the decline in production. It is stated that during 1972-73 while the demand for diesel oil increased on account of drought conditions in various parts of the country and the urgent needs of the agricultural sector, the demand for kerosene had come down "due to strict measures adopted by some State Governments to check adulteration of kerosene oil with diesel oil". Since the availability of diesel oil in world market was poor while kerosene could be imported from U.S.S.R., the refineries were directed to increase the production of diesel oil in place of kerosene.

Prospects of Production during 1973-74

5.43. During evidence, the representative of the Ministry of Petroleum and Chemicals, answering a question, categorically stated that he did not expect the estimated production of kerosene of 3.31 million tonnes during 1973-74 to materialise. He estimated the shortfall during the year to be of the order of 15 to 20 per cent and added that from January 1974, the supplies to the States were being reduced by 15 per cent. The reason for the current shortage of kerosene as of other refinery products was, according to him, the shortage of crude oil which had affected the overall production of the refineries. He added that the U.S.S.R. had supplied all it could and there were no further prospects of additional supplies from that source during the current year.

5.44. Dealing with the question of self-sufficiency in petroleum products, the representative of the Government stated:—

> "We believe that if we have the capacity to pay for oil, with the refinery expansion programme, we should be self-sufficient by the Fifth Plan in all products, including oil. But that is very big "if" (namely) if we have the capacity (to pay) such prices of oil as are fixed from time to time between now and the end of the Fifth Plan period .... (At present), within the foreign exchange availability, we are getting what we require. Even though our not getting what we require is not inconceivable, it is sure that the requirements of the O&NGC will be fully met."

Imports of Kerosene

5.45. The representative of the Ministry, stated during evidence that although the production of kerosene was falling, the fall was being compensated by increased imports so that the total availability of this commodity was not affected. As against the imports of 6,00,000 tonnes during 1971, the imports during 1972 were 7,67,000 tonnes and during 1973 and 1974, the annual imports were likely to be of the order of one million tonnes.

5.46. In a subsequent note furnished to the Committee it is stated that Government have gone into long-term contracts for supply of crude oil and other petroleum products. Kerosene oil is imported regularly from USSR against long term trade agreement. Against a provision for supply of 500,000 tonnes of kerosene oil in 1973, USSR has agreed to supply 1000,000 tonnes in 1974. They have however been requested to increase

this quantity to 1,500,000 tonnes from 1975 onwards upto 1980. As for imports against free foreign exchange, it is stated that since the prices have been considerably increased in the last two years, imports have at times to be restricted to suit the free foreign exchange availability. Besides some disruption in transport arrangements for unforeseen circumstances or congestion in ports etc. cannot be avoided. Government have assured that it is their endeavour to keep sufficient inventories of kerosene oil to take care of such unforeseen supplies, though the ability to do so has been seriously affected by the rising bill for imports of petroleum products.

Causes of Shortage of Kerosene

5.47. Apart from the general shortages of petroleum products, arising out of crude supply limitations upon refinery operations, it is stated that the present shortages of Kerosene oil are sporadic and localised. These are caused primarily due to the following factors:—

Misuse of Kerosene Oil for adulteration with High Speed Diesel Oil: This was because kerosene oil was cheaper. This anomaly has since been corrected by price revision. There is now no incentive for mixing Kerosene with diesel.

Logistical and Transportation Problems: In certain areas shortages result due to logistical and transportation problems in reaching the product from the refineries/main storage points to the consumption centres. These shortages are, however, localised and exist for short periods.

Nonmaterialisation of Import Shipments: Since the availability is considerably dependent on imports, the nonmaterialisation of import shipments either due to nonavailability of the product in the world markets or due to tanker problems, result in sporadic localised shortages. These however, have been rare till now. In the coming years in view of the expected scarcity of petroleum products in the world markets, incidence of such shortages could be somewhat larger.

Changes in Product Pattern: Decisions to meet on priority the demands of more important economic in-puts like diesel oils and ATF result sometime in reduced availability and movements of Kerosene.

Setbacks in Refinery Operations: Temporary setbacks in refinery operations and transportation due to technical reasons, civil disturbances, labour troubles, floods and other natural calamities also result in localised shortages.

Kerosene Substitution Measures

5.48. It was stated in the material furnished to the Committee that various measures for substituting the consumption of kerosene oil with soft coke etc. were under consideration. During avidence, the representative of the Ministry was asked to state whether these measures had been finalised. He said that now there was greater awareness within the Government that "if we do not move fast enough, we would be virtually moving towards doom." Regarding the use of associated refinery gas, he said that use of such gas in some of the refineries e.g. Gauhati and Cochin, was being studied by a special team and the intention was to tap that source to the maximum extent possible. He assured the Committee that "very soon, with in a year or so nothing will be wasted." As regards "natural gas", he said "We produce it only as and when required."

5.49. A subsequent note furnished to the Committee describes the various substitution measures being undertaken by Government. It says that the most suitable substitute of kerosene for cooking is soft coke which is available in the country and to a limited extent LPG. All efforts are being made to improve the availability of soft coke. Marketing of LPG has been receiving the highest consideration of the Ministry of Petroleum and Chemicals. Increase in the sales of this product has varied from 20 to 25 per cent in the last few years which is the highest for any individual petroleum products. Efforts for further expansion of LPG marketing are continuing. Substitute of kerosene for lighting purpose is electricity and the programme of rural electrification is already receiving a high priority. The National Commission on Science and Technology is also considering the development of other non-conventional fuels to replace petroleum product such as Gobar and Sewage gas, Solar energy, windmills etc. These measures will, however, require considerable study and research for development to the stage of commercial marketing.

5.50. The Committee recommend that Government should make an all out effort for increasing the availability of soft-coke as an alternative to kerosene for cooking purposes. Increased efforts are also necessary for the maximum utilisation of the associated refinary gas as well as natural gas and for development of other non-conventional fuels so that the pressure on kerosene is relieved. The

Committee would like to be informed of concrete action taken by Government in this regard.

(b) Distribution

Existing Distribution Machinery

5.51. Kerosene Oil is distributed throughout the country by the oil companies. Indian Oil Corporation's market participation in the country is the highest for kerosene oil. The oil companies nominate agents for distribution of kerosene who obtain the product from the oil companies direct and supply in smaller quantities to the retailers. Oil companies make supplies to their agents from the nearest depot. Each oil company has a net work of depots throughout the country, where petroleum products are stored in bulk. Supplies at these depots are generally obtained by rail and distributed to the agents by road. The network of retail suppliers for kerosene oil is controlled by the State Government. The oil companies' agents are also required to get a licence for handling kerosene oil from the respective State Governments. Thus, it is pointed out, the entire distribution and sale of Kerosene oil starting from the storage points of the oil companies to the ultimate retail sale is subject to regulation and control by the State Governments who have adequate powers under the Essential Commodities Act for this purpose. The machinery for distribution has, it is stated, so far worked fairly satisfactorily, though there have been difficulties in smaller cities and in the rural areas.

Distribution through Retail outlet pumps

5.52. The representative of the Ministry of Petroleum and Chemicals was asked during evidence to indicate the plans of the Government for proper distribution of kerosene so that the scarcity was removed and the need of the people was satisfied. He replied:

> "We discussed this matter with the State Governments in a meeting of the Chief Secretaries and almost all of them—there were one or two exceptions—were of the opinion that rationing of kerosene in the smaller towns and in the villages is beyond their administrative capabilities."

He added that a new kerosene distribution structure was being built-up *i.e.*, the retail outlet pumps. About 7,000 to 8,000 selling points would be created in a year or two and about 200 to 300 pumps were already selling kerosene. The scheme, he said, had been well received by the State Governments as well as the people in general.

Adultration of Kerosene

5.53. Dealing with the point regarding steps to be taken to prevent adultration of petrol with kerosene, the representative of the Government during evidence stated:

> "We are issuing orders whereby only blue kerosene will be available for sale in about six months from now. Anybody mixing even 10 per cent kerosene with petrol will be detected. Till then, we are bringing out posters in all regional languages giving a simple test: On a filter paper you drop two drops of petrol. If no stain is left, it is pure. If a stain is left, kerosene has been mixed."

Transport Problems

5.54. One of the reasons for local shortages of kerosene of temporary nature is stated to be the transit delays and the frequent dislocation in transport etc. Government were asked to indicate the improvements upon the existing distribution system being contemplated to avoid such problems. In a note furnished to the Committee it is stated that to overcome this problem, Indian Oil Corporation launched a programme for building additional storage tanks at consuming centres and to augment rail loading/unloading facilities. As a consequence, at most of the points oil companies can take one or two points specials. This has eliminated delays enroute and increased the stock levels at the consuming centres. There are at present about 146 depots in the country. It is planned to create at each depot enough storage to receive one full train load of products plus a week's cover in stocks. This will enable the movements to be planned with least possible delays and provide adequate cover for storage of products.

5.55. Dealing with this problem during evidence, the representative of the Ministry of Petroleum and Chemical stated:

> "The unfortunate fact is that if there are breaches, strikes or floods, the supply may be interrupted. Our cushion is for only 7-10 days and no more. This is our limitation. We are now trying to overcome it by creating buffer storage. For instance, we have chosen Ajmer, Ambala and one or two other centres. During the slack season, in July, August and September, we will fill up our reserves. We will build up the buffer stocks in two years' time. Much has already been done. This will lessen the unfor-

tunate consequences. But if there is a prolonged strike, nothing can be done about it".

Replying to the question whether Government had an "early warning system in case of a likely shortfall in indigenous production or non-materialisation of imports, he said: "We can predict where shortage will be 7 days later from now". The monitoring was, he said, being done from Delhi.

5.56. The Committee welcome the efforts being made for increasing the stock level of kerosene at consuming centres, cutting down delays enroute, opening of retail outlet pumps for distribution and the proposal to colour kerosene with a view to prevent its misuse. The Committee would, however, like to point out that the existing system of distribution of kerosene in the rural and remote areas is most inadequate and this commodity, if at all available, sells at a price much above the retail price fixed by Government. The Committee recommend that Government may work out a model system of distribution of kerosene, particularly in the rural and remote areas of the country, and commend it to the State Governments for adaptation to suit local conditions.

5.57. The Committee suggest that it would go a long way in improving distribution of kerosene to the small towns and rural areas if the District Magistrate is regularly informed of the despatches of kerosene to dealers in his District, and he in turn adequately publicises the same in his District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.

CHAPTER VI

PAPER AND CONTROLLED CLOTH

A—PAPER

Availability during Fourth Plan

6.1. The availability of Paper and Paper Boards during the first four years of the Fourth Plan period has been indicated to the Committee as follows:

	In '000 tonnes		
	Production	Import	Total
1969-70	722	13	735
1970-71	755	14	769
1971-72	801	14	815
1972-73	797	22	819
1973-74	800 (Estimated)	..	..

Estimated Demand and Supply during Fifth Plan Period

6.2. The Demand and Supply position in respect of paper during the current year and each year of the Fifth Plan period worked out by Government on the basis of current projections, is indicated as follows:

Year	Estimated annual demand in '000 tonnes	Built up capacity	Supply	Deficit
1973-74	900	960	800	(—100)
1974-75	963	1080	900	(—63)
1975-76	1030	1180	970	(—60)
1976-77	1100	1223	1060	(—40)
1977-78	1180	1383	1160	(—20)
1978-79	1260*	1500	1260	(—)

*According to the preliminary material furnished by the Government earlier, the Task Force for Paper and Allied Industries had assessed the demand for all grades of paper and paper boards at 1330 thousand tonnes per year by 1978-79.

Capacity

6.3. It is stated that the production of the quantity of paper and paper board required by the end of the Fifth Plan period would need setting up of a total capacity of 15 lakh tonnes per year. Adequate capacity for the manufacture of paper and paper board to cover the entire Fifth Plan requirements and also a part of the Sixth Plan has already been approved by the Government. The position in this regard is as follows:—

(In '000 tonnes)

Existing installed capacity	Licensed capacity under implementation	Capacity Approved
962	244	1170

The total capacity, if and when it materialises, will thus be of the order of 2376 thousand tonnes.

6.4. It has been suggested to the Committee that in licensing further capacities, Government should give preference to expansion of capacities of existing mills as it would be much cheaper than setting up new units. Giving their views in this regard, Government have stated that subject to availability of raw materials, other facilities and Government's licensing policy preference is given to expansion schemes of the existing undertakings. According to them, the Crash Programme instituted some years ago was intended to allow expansion of the existing undertakings by installation of balancing equipments and the Fifth Plan also envisages that substantial part of the additional capacity to be created during this period will come from the expansion of the existing units.

Delay in implementing licensed capacity

6.5. Government were asked to indicate the schedules for the installation of the capacities under implementation. In reply, they have stated that the progress of the schemes depends upon various factors such as receipt of equipment, imported and indigenous, procurement of other raw materials such as steel, cement etc. As such, no schedules for the installation of capacities under implementation could be indicated. The applicant firms also have not given any specific schedules of implementation. However, Government expect that the capacity for 244 thousand tonnes which is under implementation, would materialise in the next 2 years.

6.6. Asked to indicate the reasons for the delays in implementation of the licensed capacity, it is stated that the delays generally occuring in the implementation of schemes, may be classified into two categories—one before the CG import licences, if any, are issued and the other after the CG import licences are issued. There is already some indigenous capacity for the manufacture of paper machines and other allied equipment. The machinery manufacturers had represented that their capacity was not being utilised fully. The paper manufacturers on the other hand are reluctant to procure paper machines from indigenous sources for the following reasons:—

(a) High prices for indigenous paper machines which in some cases are 100 to 200 per cent more than the imported prices.

(b) Long and uncertain delivery periods offered by indigenous manufacturers.

(c) Lack of facilities for deferred payments for the indigenous equipment.

Keeping in view the need to utilise indigenous machinery capacity and in order to save on avoidable foreign exchange expenditure, Government have been advising the paper manufacturers to obtain paper making machinery to the extent they are available locally. This has been, according to Government the main reason for delays in the last two or three years for considering the requests for the import of CG and the implementation of the schemes, as conceived and indicated in the applications for the issue of industrial licences.

6.7. Replying to the question as to what measures are contemplated to get over this problem, a subsequent note received from the Government says that the policy of Government in this regard is to ensure that the prices of indigenous machinery do not significantly exceed the cost of imported machinery to local users. The industry has been assured of the availability of machinery at prices not exceeding the landed cost of similar imported equipment. Government is also keeping a close watch on the price situation through a negotiating Committee under the Chairmanship of the Joint Secretary, Ministry of Heavy Industry.

6.8. It has been further represented to the Committee that the gradual rise in the import duty on paper and pulp making machinery to 40 percent is an impediment to the expansion programmes of existing mills and deterrent to the new enterpreneours in the field. Indicating their views on this representation to the Committee, Government have stated that since the major part of the plant and

machinery is available from the indigenous source, the imposition of increased duty on import content of the paper plants is not expected to act as a deterrent to the development of paper industry in the country. On the other hand, Government feel that this is likely to give an impetus to a faster growth of the indigenous machinery manufacture which in the long run, will help the paper industry as well.

6.9. Another representation made to the Committee is that the withdrawal of development rebate to the industry with effect from June 1974 would cause hardship to the industry as "no paper mill can go into production by then". Asked to indicate their reactions to this representation, Government have stated that the decision to withdraw the development rebate is a conscious decision taken in the overall national interest and is applicable to all industries and not only to paper. It is held that sufficient notice in this regard was available to the industry and they could have taken advantage of the developmental rebate, if they so desired. However, the parties who have placed orders before 1st December, 1973 can still have the advantage of the developmental rebate as this facility has been extended upto 30th June, 1975 in such cases. The new units, however, can not get the advantage as gestation period in paper industry is, according to Government themselves, "quite long".

Under-utilisation of capacity

6.10. As against the installed capacity of 962 thousand tonnes, the production during 1973-74 is estimated to be only 800 (earlier intimated as 850) thousand tonnes. The reasons for the under-utilisation of capacity, indicated in a note furnished to the Committee, are that some of the existing units in paper industry could not utilise their capacity to the optimum extent, in the first six months of this year because of problems relating to the availability of coal, wagons for movement of coal and raw materials, power supply and labour troubles etc. It is stated that the paper industry is generally advised to increase the capacity utilisation in their respective units and that wherever necessary, they could approach the Government for necessary assistance. Government expect that the short-fall in production will be made good during the remaining period of 1973-74 and the utilisation of capacity exceeding 85 per cent would be achieved.

Imports

6.11. As already stated in a previous paragraph, Government are regularly importing Paper and Paper Board from abroad. The

imports during the 4th Plan period had been as under:—

	(Quantity in '000 tonnes)
1969-70	13
1970-71	14
1971-72	14
1972-73	22
1973-74	N.A.

The value of imports of various grades of paper and paper boards during 1972-73 was Rs. 9.95 crores.

6.12. It is stated that imports of common grades of paper and paper boards are not allowed by Government. It is only speciality papers such as vegetable parchment papers, electric insulation papers, filter paper, high quality art paper etc., which are not produced in the country or whose production is not adequate to meet the demand, which are allowed for import. According to Government, the imports are likely to be reduced progressively depending upon the successful implementation of the various projects already approved.

Export

6.13. The figures relating to exports of paper, paper board during 1971-72 and 1972-73 are given below:—

1971-72		1972-73	
Quantity	Value	Quantity	Value
8488 tonnes	Rs. 1,42,57,098	10838 tonnes	Rs. 2,13,68,586

6.14. Government were asked to state whether the shortage of paper in the country was also due to its export. In reply, they have stated that the demand and supply of paper was by and large evenly matched till about the middle of 1973. But due to certain factors like power cut, shortage of wagons for movement of coal, etc., there was a shortfall in production in the year 1973. These, coupled with the increase in the demand, led to certain shortage of paper during later half of 1973. Consequently, the export of cultural varieties of paper has been banned, even though the quantity of exports was not substantial.

Speciality Papers

6.15. The following are traditionally the speciality papers which are required in substantial quantities in various industries:—

1. Filter paper
2. Carbonising tissue
3. Parchment paper
4. Electrical insulation paper—various grades
5. Cigarette tissue

Out of the above items, only cigarette tissues and to some extent carbonising tissues are being made in the country. After meeting the indigenous demand of Cigarette tissues, substantial quantities are also exported.

6.16. Government were asked to indicate the programme for the production of 'Speciality Paper' which was, at present, being imported from abroad. They were also asked as to when the country was likely to be self-sufficient in this regard. In reply, a note from the Government indicates the position as follows:—

Filter Paper: Filter paper is a speciality paper in terms of wet-strength and regulated prosity and purity. This item is made mainly from rag pulp or special quantities of long-fibred wood pulp. This item is used mainly in analytical and research laboratories for volumetric and gravimetric purposes and also in chromotography. It is also used extensively in the manufacture of air and oil filters in automobile industry. The present imports of industrial filter paper are of the order of 400 tonnes, valued about Rs. 50 lakhs. It is expected that the demand will go up to a level of 1,000 tonnes|year by the end of the 5th Five Year Plan. Since there is no indigenous production of this item, except certain grades of filter paper in the small-scale and cottage industries, almost the entire demand of the item is met by imports.

Carbonising Tissue: It is the base raw material for carbon paper and its present demand is 2500 tonnes/year. Substantial portion of this demand is met by indigenous production. Import of carbonising tissue is allowed only for the manufacture of one-time carbon paper and export quality carbon papers; these imports are presently limited to about 400 tonnes|year. It is expected that the demand of carbonising tissue will rise to a level of 3500 tonnes|year by the end of the 5th Five Year Plan.

Parchment Paper: The present demand of parchment paper, which is mainly used in packaging industry is about 100 tonnes|year as reflected by the present imports of this item since there is no indigenous production. It is expected that the demand of this item would rise to a level of 1,000 tonnes|year by the end of the 5th Five Year Plan.

Electrical Insulation Papers: Electrical insulation papers are of different grades used in different sectors of electrical industries such as manufacture of electronic components, electric motors, telephone cables, power insulation cables etc. There is at present no indigenous production of these varieties of speciality papers in the country. The entire indigenous demand of these items, is, therefore, met by imports. The present imports of various grades of electrical insulation paper, including cable paper, condenser paper etc., will be of the order of about Rs. 2.0 crores. DGTD have recently assessed the demand of various grades of insulation papers and the same works out to a total figure of 12,000 tonnes/year by the end of the 5th Five Year Plan.

6.17. It is stated that the lack of interest on the part of entrepreneurs for setting up of capacity for the manufacture of speciality papers so far, can be attributed to the following three reasons:—

(1) The demand of individual speciality papers is relatively low not warranting the setting up of separate units for the purpose.

(2) In the manufacture of speciality papers, imported pulp, derived from conifers, long-fibred conifers and Manila Hemp is required to be used. This involves dependence on out-side sources and also foreign exchange expenditure. Recent developments have, however, shown that indigenous raw materials such as Indian hemp and rags could be used for the manufacture of a variety of electrical insulation papers.

(3) In some cases, foreign collaboration for the know-how also is necessary.

6.18. Government have approved 11 new units for the manufacture of different grades of speciality papers with a total capacity of nearly 50,000 tonnes. The progress in the implementation of the above schemes is, however, considered by them as "slow".

Shortage of writing paper

6.19. During evidence, the representative of the Ministry of Industrial Development admitted that a serious shortage had developed in respect of writing and printing paper. He indicated the following reasons for the shortage:

(1) the production had fallen because of shortage of power and coal and wagon difficulties.

(2) the pattern of production in the paper industry had undergone a change. The paper industry had started producing more of industrial paper and less of writing and printing (cultural) paper as the former fetched them a better price from the industry.

(3) with the limited availability of imported newsprint at high prices, the newspaper industry had turned to the indigenously produced writing and printing paper for meeting part of their requirements.

6.20. The remedial action taken by Government were indicated by the witness as follows:—

(i) the paper industry was called upon to reduce the price of writing and printing paper.

(ii) the industry was directed to revert back to the pattern of production of 1968-69 and 1969-70 so that a balance could be maintained between the production of cultural paper and that of industrial paper. The industrial units had been asked to indicate the pattern of their production. Wherever there was a Government representative on the management board of any paper mill, he was being requested to ensure that 50 per cent of the production was made available for educational and Government purposes.

(iii) the industry was directed to restrict the supply of writing and printing paper to newspapers.

(iv) the export of paper has been banned.

The representative of the Ministry clarified that the proposed ban on the use of writing and printing paper by newspaper would not cover periodicals and magazines. In fact, according to him, a certain quantity of paper had been set apart for such magazines and periodicals and the Government would prefer if it could be distributed to these magazines etc. through the Registrar of Newspapers. Replying to the question whether the Central Government could issue guidelines as to which type of magazines or periodicals should

be provided the paper, he said that it will be perhaps for the subject matter, Ministry to do the needful.

6.21. As regards the result of these measures, the witness stated that the industry itself had decided to change their pattern of production in such a way as to make available at least 50,000 tonnes of writing and printing paper of 60 grammage in the current quarter for educational purposes. The ex-factory price of this paper would be Rs. 2,750 per tonne and the commission of the agents would be 5 per cent. He further said that Government wanted the manufacturers to use some sort of tainted material also to distinguish it from other papers to prevent its misuse. Government had also made it clear to the note-book manufacturers to print the price and the number of pages in the note-book at the top cover page.

6.22. The country is facing an acute scarcity of writing and printing paper with the result that there has been a perceptible rise in the prices of text books, exercise books and other educational aids using paper. They are of the firm opinion that the paper crisis which surfaced during 1973-74 could have been avoided by proper planning of installed capacity to meet the demand and fuller utilisation of the existing installed capacity. The Committe recommend that Government should set before them realistic year-wise targets of installed capacity in the industry and make every effort to achieve them. In this context, they would also like to emphasise that the prime object before the Government should be to build up industrial capacity in the paper industry at the earliest so as to increase its availability and relieve pressure on foreign exchange needed for its import to meet the demand. Government should therefore make concerted efforts to remove all impediments coming in the way of speedly implementation of licensed/approved capacity.

6.23. The Committee regret that the programme for production of paper in the public sector, for which the Ministry of Industrial Development and directly responsible, did not materialise as per schedule to meet the rising demand of paper. The Committee would like to associate themselves with the recommendation contained in paragraph 1.25 of the Twenty-seventh Report of the Committee on Public Undertakings (5th Lok Sabha) on NEPA Mills and paragraph 1.3 of their forty-fifth Report on Action Taken thereon, in stressing that the Hindustan Paper Corporation, a public sector undertaking, should take a lead in developing the manufacture of paper and supplying it at most competitive prices to meet the ever growing requirements of the public.

6.24. The Committee would like to point out that the diversion of production from cultural to industrial paper could not have been sudden and the current shortage of cultural paper could have been avoided if Government had kept the production pattern of the mills under constant watch and taken action to arrest the tendency at the early stages. The Committee therefore urge Government to keep a continuous watch on the production and availability of writing and printing paper so as to ensure that there is no shortage of these kinds of paper to meet the requirements of students for text-books and exercise books which should be made available to them at fair prices.

Newsprint

6.25. The total annual requirements of newsprint has been estimated by Government to be 2,45,000 tonnes. Approximately, 40,000 tonnes of newsprint per year is being supplied by NEPA Mill. The balance of about 2,00,000 tonnes has to be imported.

6.26. The Committee note from the Twenty-Seventh Report of the Committee on Public Undertakings (5th Lok Sabha) on NEPA Mills that the expansion of capacity of NEPA Mills from 30,000 tones to 75,000 tonnes of newsprint would be completed by 1974, that the Hindustan Paper Corporation's 70,000 tonne capacity Newsprint project in Kerala would be completed by 1976 and that there were three other projects in the private sector. The Committee would take this opportunity to reiterate the recommendations made by the Committee on Public Undertaking in paragraph 1.20 of their aforesaid report and paragraph 1.3 of their Forty-fifth Report on Action Taken thereon, and stress that serious effort should be made to commission the additional capacities for production of Newsprint in the public sector according to the time schedule laid down and Government should keep a careful watch on the progress of the private sector projects so as to achieve self reliance in respect of Newsprint at the earliest.

Availability of Raw Material for the Industry

6.27. Spelling out the measures being taken to make available raw materials to the paper manufacturers at reasonable prices, Government have in a note furnished to the Committee stated that a major percentage of production of paper and paper board, to the extent of about 70 per cent, is presently based on the use of bamboo as principal raw material. The balance 30 per cent is accounted for by other unconventional raw materials such as hard-woods, cereal straws, bagasse, rags and waste paper etc. Since the available

bamboo resources are considered to be more or less booked by the existing paper industry, the future development will have to largely depend upon the use of unconventional raw material-principally hard-woods, in substantial quantities. It might be perhaps necessary to harness agricultural residues such as cereal straws and bagasse also. Recycling of waste paper to a greater extent than what is being done now may also have to be resorted to. In order to meet the growing requirements of cellulosic raw materials, especially hard-woods it will become necessary for the State Governments to undertake large scale plantation of suitable species of hardwood such as Eucaleptus. Some of the States such as U.P., Tamil Nadu, Kerala and Karnataka have already taken up the plantation of Eucaleptus which would provide necessary raw materials for future growth of paper industry. Careal straws and bagasse are also used at present for the manufacture of paper and paper boards. Since the necessary know-how for pulping these raw materials is already available in the country, it can be expected that their increased use in paper industry would be possible in future.

6.28. It has been represented to the Committee that departing from the past practice, State Governments are leasing out the forest "for much shorter periods and every time the lease renewal comes up, they jack up the royalty rates resulting in a cost push inflationary pressure." Government were asked to state the factual position in this regard and also their views as to how this tendency could be arrested. They have stated that some of the paper mills had been receiving the raw materials at rates contracted about a decade or more ago. These rates being very low, the State Governments have raised them in certain cases. The Ministry of Industrial Development are, however, willing to take up the cases of individual paper mills on merits with the respective State Governments in case they are able to make out a case that the increase in the rates of royalty would adversly affect the economics of the paper mills.

6.29. It has also been suggested that in the interest of adequate and sustained availability of long fibre raw materials at reasonable prices, large mills should be granted long term leases of forest/productive barren land and they should be made responsible for the development of "manmade forest". Indicating their views in this regard, Government have stated that forests are under the control of the respective State Governments. As a rule, fairly long term lease is given to the parties by the State Governments subject to revision within the lease period. It is further stated that the "State Governments are not generally inclined to entrust afforestation programme to the private parties as it is a highly technical subject."

6.30. During evidence the representative of the Ministry of Industrial Development was asked whether Government had examined the economic feasibility of importing pulp from countries like Bangla Desh. He replied that the import "was tried but we had not succeeded" because the prices of imported pulp were very high. Replying to the point raised whether it was not possible to harness the forests in the eastern and other parts of the country for the purpose of manufacturing paper pulp, he said that mechanical pulp which was used for making newsprint was at present being made only at NEPA mills and there was a proposal to make it in Kerala also. As for chemical pulp which is used for other type of paper, the facility existed only in Gujarat.

6.31. The Committee do not agree with the view expressed before them that the country's natural forest resources have been fully committed for the paper industry. The Committee would like Government to make a survey of the forest wealth of the country with a view to locate pockets where raw material for making paper pulp still lies untapped and to harness the same for the industry so as to meet growing requirements of paper in the country.

Research Programme

6.32. The various agencies where research and development work on paper pulp and paper is going on have been indicated as follows:

(i) Pulp and paper mills,

(ii) Forest Research laboratories (Cellulose Branch),

(iii) Dehradun National Chemical Laboratory, Poona,

(iv) Regional Research Laboratories, Hyderabad and Jorhat,

(v) Institute of Paper Technology, Saharanpur.

The work in Forest Research Institute, Dehradun mainly consists of identification of suitable cellulosic raw materials and development of proper technology for the manufacture of various grades of paper and pulp and newsprint. The National Chemical Laboratory, Poona and Regional Research Laboratories of C.S.I.R. are understood to be taking research and development work in the fields of special grades of chemicals pulp for rayon, tyre cord, speciality papers such as filter paper, grease proof glassine paper etc. The Institute of Paper Technology at Saharanpur is an institution mainly set up for the purpose of imparting training to technical personnel at the levels of operators and supervisors for manning pulp and paper industries. Government are unable to indicate the capital outlay for research work in this field as these institutions undertake research and development work in other fields also.

6.33. The Ministry of Industrial Development have under consideration the question of setting up of a Research & Development Board on paper and pulp industry for coordinating and formulating general policy on research and development. It is stated that the proposed Board may also impose a cess for financing various research and development work in the Research Institutions in the country including the Central Research Institute proposed to be set up and provide necessary funds for meeting the requirements of such research and development work from the cess collected by it. The Board would also appraise the working of the Research Institutions and also augment the existing facilities in the various research organisations.

6.34. The Committee need hardly emphasise the importance of coordinated research and development work on Paper and Pulp Industry. The Committee note that the Government are thinking of setting up a Research and Development Board on Paper and Pulp Industry for coordinating and formulating general policy on research and development. They recommend that no time should be lost in setting up such a coordinating body so that an integrated and result-oriented research programme may be launched in the field of paper and pulp industry at the earliest.

Encouragement of Small Paper Mills

6.35. A point was raised during evidence that the small non-integrated paper manufacturers who did not have the pulp making facility needed help in procuring their pulp requirements. The representative of the Ministry of Industrial Development, agreeing that these small units should be encouraged to augment the production of paper, said:

> "This is another approach and this is a good approach. We should go into this. There is one important thing here. There should be a mother pulp unit, which will make pulp available to small units of two or three tonnes, since they are not able to set up an integrated pulp mill along with the paper mill."

He further stated that Government was going into the feasibility of setting up a mother pulp mill by the small paper mills and, according to him, an application from the cooperative sector for setting up such a mill in Maharashtra was already under consideration of Government. Another measure taken by Government was to allow mills to manufacture 10 per cent extra pulp which could be made available to small paper mills. Besides, he added, "wherever appli-

cations have come to us for establishing small paper mills making use of agricutural waste etc., we have supported the proposal."

6.36. The Committee recommend that Government may seriously examine the prospects of setting up mother paper pulp mills in areas where there is a concentration of small scale paper manufacturers to meet the requirements of such units.

(b) Distribution

Price Control

6.37. Government lifted the control on the selling prices of all types of paper with effect from 3rd May, 1968. It is stated that soon after decontrol, the prices of all varieties of paper were increased by the industry. Government took up the matter with the Paper Industry and as a result of discussions the industry agreed to keep government informed before making any further increase in the selling price of paper. On account of shortfall in production, a critical situation developed in regard to the availability of paper in the market during the last few months and there was sharp increase in the prices of paper. The Ministry of Industrial Development have stated that they held discussions with the paper manufacturers in the month of December, 1973 and thereafter the industry volutarily agreed to bring down the price of white printing paper for making available to the exercise book manufacturers, and for the production of nationalised text books at a price of Rs. 2750|- per tonne.

6.38. It has been represented to the Committee that in view of the low profitability of the industry, the paper industry "may be allowed freedom to evolve a price structure which will yield a fair return, otherwise many of the letters of intent already issued may not be implemented". Dealing with this representation, Government have stated that there is no statutory control on the selling price of paper and their interference in this regard has been minimal. But at the same time they can not allow unfettered freedom to the paper industries to evolve a price structure which in the context of current shortages of paper is not likely to be in the overall interest of the country. For instance, Government have printed out that the recent increase in the selling prices of white printing paper from nearly Rs. 2350/- per tonne to Rs. 3500/- per tone was not reasonable, though admittedly the cost of production has gone up consequent to the inflationary tendencies prevailing in the country. The Government have now requested the Bureau of Industrial Costs and Prices to make a study of the cost of production of paper.

6.39. The Committee note that Government have been able to get a commitment from the paper manufacturers for making available a limited quantity of writing and printing paper at a reduced price for the use of Government and for educational purposes. The Committee would like Government to keep the situation under constant watch so as to ensure that the commitment made by the industry is actually fulfilled. The Committee also recommend that if at any stage, this informal arrangement with the industry does not work satisfactorily Government should not hesitate to re-impose price control on writing and printing paper so as to make it available for educational purposes at a reasonable price.

Distribution

6.40. At present paper is distributed direct to the bulk consumers by the paper industry and through distributors and dealers in respect of other consumers. The question of introducing a unified system of distribution was considered by the Development Council for Paper and Pulp Industry at its last meeting held on 16th January, 1974 and the consensus was that the paper industry, traders and converters would adopt a "Code of Conduct" which would remove the present malpractices to a great extent. A special Committee with the Chairman, Hindustan Paper Corporation, as its Chairman, has been set up to ensure implementation of the code of conduct. It was felt by the Council that the new system should be given a fair trial for some time and thereafter the position might be reviewed by the Development Council.

6.41. The Committee note that a special committee is at present engaged in evolving a code of conduct for the paper industry and trade to the present malpractices in the distribution of paper. It would also take suitable measures to ensure implementation thereof. The Committee would like Government to publish the "code of conduct" for general information, try the new system for some time and thereafter review the position in the light of experience in order to ensure that it subserves the objective underlying it.

6.42. The Committee would like Government to examine whether there can be a working arrangement whereby the wholesale & retail prices for major varieties of paper which are used by public are widely publicised. In fact the Committee would like it to be made obligatory on paper stockists and retailers to display prominently the stock position of various varieties of paper and the fair prices fixed therefor. The Committee are convinced that unless there is effective participation of public, informal control would not achieve

the objective of making available paper at fair price to the genuine users.

(B) Controlled Cloth

(a) Availability

Controlled Cloth Scheme

6.43. In 1964, Government decided to make available some popular varieties of cloth required for mass consumption at reasonable prices. Consequently, on 20th October, 1964, production of mill-made dhoties, sarees, longcloth and shirting, answering to specified manufacturing particulars and the prices thereof were statutorily controlled. Drill was added to this list with effect from 1st December, 1964. The production covered by this arrangement was about 50 per cent of total production. The obligations of individual mills were fixed under statutory orders. With effect from 1st January, 1967, this obligation upon mills was reduced from 50 per cent to 40 per cent. This scheme was modified from 2nd May, 1968 and the control continued only in respect of the above varieties in coarse and lower medium categories. Only about 25 per cent of the total production was thus controlled from 2nd May, 1968. The quantum to be produced by each mill was fixed under a statutory order, but a scheme for collection of compensation from mills towards short-fall in production of controlled cloth and a payment of incentive towards excess production was introduced.

6.44. The prices of controlled cloth have been worked out on the basis of a formula of "multipliers" which takes into account the various elements entering into the cost of production. Suitable increases in prices of controlled cloth were allowed from October, 1964 to May, 1968. Since increase in prices of controlled cloth was allowed from May 1958, the production of controlled cloth became unremunerative and started falling. The production of controlled cloth fell from about 200 million sq. meters in the November, 1968/January, 1969 quarter to about 9 million sq. meters in the quarter February/April, 1971. On the basis of the recommendations of an official Committee appointed in April, 1971, the Government accepted the Industry's offer to produce 100 million sq. meters of controlled cloth every quarter on a voluntary basis *w.e.f.* 1st June, 1971. At the time of commencement of the voluntary scheme for production of controlled cloth, the Indian Cotton Mills' Federation invited offers from the mills which wanted to produce controlled cloth and those mills were allowed subsidy at rates varying from 50 paise per square metre to 20 paise per square metre from quarter to quarter. Later on, the production of controlled cloth was made compulsory by the

I.C.M.F. to the extent of 12 per cent of a mill's production of 3.44 square metres per loom shift of 8 hours Penalty charged by I.C.M.F. for non-fulfilment of the obligation was Re. 1/- per sq: metre. The modified scheme provided for inter-mill transfer of obligation and the mills which offered to produce controlled cloth on behalf of the other mills were paid a sum of 90 paise per sq. metre on the cloth produced on behalf of other mills.

6.45. During evidence, it was pointed out that many of the mills were not discharging fully their controlled cloth obligation and were actully paying penalty therefor. The representative of the Ministry of Commerce admitted this as a fact and stated that to discourage the mills from taking recourse to paying penalty rather than producing the requisite quantity of controlled cloth, the penalty was enhanced from 25 paise to Re. 1 per sq. metre with with effect from 1st Jan., 1973. (It may be mentioned that with effect from 1st April, 1974, the penalty has been further enhanced to Rs. 2.50 per sq. metre).

Revised Policy

6.46. The Deputy Minister of Commerce made a statement in Lok Sabha on the 29th March, 1974 enunciating the revised policy of the Government in respect of Controlled Cloth. It is stated that Government have revised the policy because the industry including the National Textile Corporation Mills, have been representing that the prices of controlled cloth fixed as far back as May, 1968 needed upward revision in view of the currently increased cost of production, and also because Government have been anxious to increase the quantum of the controlled varieties of cloth. The main features of the revised policy, which has been brought into force *w.e.f.* 1st April, 1974, are that the quantum of controlled cloth will be increased from the present level of 400 million meters to 800 million meters per annum, and the varieties will now include the medium 'A' category of cloth also in the commonly used five varieties of sarees, dhoties, drill, shirting and long cloth. The Statement says that even though costs of production have risen much higher, it has been decided that an increase of only 30 per cent over the May 1968 prices will be allowed. In order to safeguard consumer interests, selvedge printing of prices on every meter of cloth will be progressively introduced and the distribution machinery will be strengthened. The distribution margin has been provided at 20 per cent of ex-mill prices to meet currently increased costs of transport and distribution. The penalty for non-fulfilment of controlled cloth obligation will be enhanced from the present level of Re. 1/- per meter to Rs. 2.50 per meter. In the light of this enhanced obligation on textile mills to

produce controlled cloth, suitable provision is being made in the Scheme to sustain the requisite export effort.

Availability

6.47. The production of controlled cloth in pursuance of the industry's offer which was accepted by Government has been as follows:—

Statement showing the Production of Controlled Cloth since 1st June, 1971

Period	In million sq. meter
June/Aug. 1971	101·20
Sept./Nov. 1971	102·50
Dec. 71/Feb. 1972	101·00
March/May 1972	97·09
June, 1972	..
July/Dec. 1972	164·00
Jan/March, 1973	64·00
April/June, 1973	146·00
July/Sept. 1973	100·04
Oct./Dec. 1973	66·65

Per Capita Availability

6.48. At the rate of 400 sq. meters of cloth per year, the *per capita* availability of this cloth works out to 0.73 sq. meters. Thus, even if the production is doubled to 800 sq. meters per year, as has been decided, the *per capita* availability of controlled cloth in the country would be only 1.46 sq. meters which will decrease with the growth in population. Government have stated that the non-controlled cloth makes up the balance of the *per capita* requirement It is further stated that it was not possible to meet the entire requirements of the weaker sections of society out of controlled cloth as "production of this cloth results in heavy losses to the industry."

Obligation on Statutory Basis

6.49. It is noted that while the ex-mill as well as retail prices of "Standard Cloth" have been statutorily fixed, the quantum of production of such cloth is based on a voluntary offer by the mills. Gov-

ernment were asked to state the difficulty in laying down the obligation of the mills on the basis of a statutory minimum of their current total production. In reply they have stated that all mills do not produce coarse and lower medium varieties of cloth which are under control and as such, obligation in the form of a statutory minimum of their current total production cannot be laid down. Besides, it is maintained, unless the Government agrees to neutralise the increase in the cost of production of Controlled Cloth, it would not be possible to ensure adequate production of controlled cloth on a statutory basis.*

6.50. The Committee note that to make available popular varieties of cloth required for mass consumption at reasonable prices, Government introduced statutory control on the production and prices of mill made dhotis, sarees, long-cloth, drill and shirting cloth in 1964. The production covered under this arrangement was about 50 per cent of total production of mill cloth and the obligations of individual mills were fixed under statutory orders. With effect from 1-1-1967, this statutory obligation upon the mills was reduced from 50 per cent to 40 per cent. This scheme was further modified in May, 1968. Control was continued only in respect of coarse and lower medium categories of above varieties of cloth which acounted for about 25 per cent of total production of mill cloth. The quantum of production of such cloth by each mill was fixed under a statutory order but a scheme of collection of compensation at the rate of 6 paise per sq. meter from mills towards shortfall/in production of controlled cloth, was introduced. As no increase in price of controlled cloth was allowed after May, 1968, the production of controlled cloth fell from about 200 million sq. meters in November, 1968/January, 1969 quarter to about 9 million sq. meters in February/April, 1971 quarter. In 1971, Government accepted the industry's offer to produce 100 million sq. meters of controlled cloth every quarter on a voluntary basis w.e.f. 1st June, 1971. Until April, 1974, the mills were required to produce controlled cloth to the extent of 12 per cent of their production or 3.44 sq. metres per loom shift of 8-hours worked and the penalty for non-fulfilment of the obligation was Re. 1/- per sq. meter. With effect from 1st April, 1974, the quantum of production of controlled cloth has been doubled from 100 million sq. metres to 200 million sq. meters per quarter and the penalty for non-fulfilment of obligation by the mills has been increased to Rs. 2.50 per sq. meter. Under the revised scheme, the

*At the factual verification stage, Government have stated that new policy enforced from 11-4-1974 provides for compulsory statutory production of a minimum of 24% of the total production of a mill in the form of controlled cloth.

varieties of controlled cloth have been increased to include medium 'A' category of cloth also and the prices of cloth have been increased by 30 per cent over the May, 1968 prices. It would be evident from the above that there has been no firm policy about the production of controlled cloth by the mills. While in 1964 the statutory obligation upon mills for the production of controlled cloth was about 50 per cent of the total production of the mills, this was reduced to 40 per cent in 1967 and then to 25 per cent in May, 1968. Further, the 1968 scheme allowed the mills to opt out of the scheme by paying a nominal amount of 6 paise per sq. meter as penalty. The result was that production of controlled cloth fell drastically from 200 million sq. meters to 9 million sq. meters per quarter. Athough in June, 1971, the industry agreed to produce 100 million sq. meters of controlled cloth every quarter, actual production has always fallen short of the agreed quantum except in the first year i.e., June, 1971 to May, 1972. Moreover, the controlled cloth to be produced under this voluntary offer was less than 10 per cent of the total production of cloth by the mills as compared to 25 per cent under 1968 Scheme, 40 per cent under the 1967 scheme and 50 per cent under the earlier 1964 Scheme. The Committee are unable to understand why Government acquiesed in production of lesser quantity of controlled cloth by the Mills, and did not pursue a firm policy to make adequate quantity of popular varieties of controlled cloth available to the people. It has been argued that it was not possible to meet the entire requirements of the weaker sections of society out of the controlled cloth as the production of this cloth results in heavy loss to the industry. The Committee feel that with the 30 per cent increase in price of conrolled cloth now allowed to the mills under the new policy, this argument is no longer tenable. A more systematic approach to the problem would, in the opinion of the Committee, be to determine the minimum annual requirement of controlled cloth on the basis of a minimum per capita annual requirement of 12 sq. meters and the size of the population which has to be catered for particularly the weaker and vulnerable sections of society. The Committee urge that Government may urgently assess the requirement of controlled cloth as aforesaid and take suitable measures to further increase the production of controlled cloth to meet these requirements.

*6.51. The Committee also consider that the obligations of individual mills for the production of controlled cloth should be fixed under statutory orders so that there is no shortfall in production.

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*At the factual verification stage, Government have stated that new policy enforced from 1-4-1974 provides for compulsory statutory production of a minimum 24% of the total production of a mill in the form of controlled cloth.

Obligation on Powerlooms

6.52. It was pointed out that powerloom sector was making a sizeable contribution in the total production of cloth in the country. Government were asked the reasons for not enjoining upon that sector the controlled cloth obligation. They have in reply stated:—

> "Powerlooms are in the decentralised sector. Most of the units are owned by small weavers. Many of them buy yarn in small quantities on credit from the dealers. They cannot, therefore, ensure quality of production on a longterm basis. If these small units are required to produce controlled cloth and sell it at concessional rates, they will have to be supplied with yarn at concessional prices. Ensuring supply of yarn on concessional prices, organising production and taking over the same for sale at controlled prices is administratively a very difficult task when thousands of units spread all over the country are involved. The cost involved would not be justified. However, this question is being reviewed."

6.53. Dealing with this point during evidence, the representative of the Ministry of Commerce assured that "when the new scheme (of dubling the production of controlled cloth) is introduced we would have to take the production of the powerloom and handloom into account".

6.54. The Committee recommend that Government should review the question of enjoining in a suitable form the controlled cloth obligation upon the big powerloom units also so that controlled cloth is available in larger quantities to meet the requirements of the public.

Pattern of Production

6.55. It has been represented to the Committee by one of the cooperative distribution agencies that the Mills are not producing the particular varieties of cloth which are indented. For instance, the production of sarees, dhoties and drills is only marginal and this required to be increased considerably. Further, the Mills produce dyed and printed long cloth for which the demand is very negligible. Added to this the mills produce dyed and printed cloth without fast colour which brings disrepute to the cooperative. The width of cloth is so varied that consumers can not use the cloth in an economical manner. Cloth is produced in all sorts of width while no such width is there in the market for non-controlled cloth produced

by the same or other Mills. Further, certain samples of cloth indicate that they can be used only as bandage cloth and not for clothing purposes. Government were therefore, asked whether the mills were given any production programme in respect of the controlled cloth to be produced by them and whether any quality control was exercised over the production at any stage. They have stated that the target for production of controlled cloth relates only to the total quantity to be produced and it is open to the mills to produce one or more of the 5 items of controlled cloth in either of the categories. In view of the partial nature of price control it has become expedient to specify the definition of controlled cloth so that same item is not offered for sale both under and outside control. In evolving these definitions, care has been exercised to ensure that the controlled cloth produced is of minimum durability having regard to the end use of the cloth and its price. The Inspecting staff of the Textile Commissioner's organisation, during the periodical inspection of the mills, carry out examination to ensure that the controlled varieties conform to the minimum requirements stipulated.*

***6.56. The Committee would like Government to ensure that the controlled cloth produced by the Mills is of the required variety, fast colour and standard width so as to meet the actual needs of people. They recommend that Government should also tighten their inspection machinery so as to ensure that the mills actually produce such cloth to meet their controlled cloth obligation.**

(b) Distribution

Channels of Distribution

6.57. Controlled cloth has been brought under statutory distribution control from October, 1972 and since then its distribution has been restricted to the following prescribed channels:—

1. Mills' own retail shops;
2. Super Bazars in the Cooperative Sector.
3. National Cooperative Consumer Federation and the Chain of cooperative institutions affiliated to them.
4. Fair price shops run under the aegis of the State Governments.

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*At the factual verification stage, Government have stated that the revised policy effective from 1-4-1974 provides for control on variety wise production of Controlled cloth.

5. Any other agency in the cooperative sector specified by the State Government concerned.

6.58. The Mills are required to intimate their production and stocks of controlled cloth to the Textile Commissioner at the beginning of every month. The Textile Commissioner makes Statewise allocations on the basis of population. The actual movement of bales from the mills to various destinations in different States is coordinated by the National Cooperative Consumers Federation which also acts as a gurantee broker to the mills.

Adequacy of existing channels

6.59. It has been represented to the Committee by a non-official organisation that under the new arrangement for distribution of controlled through cooperatives "there are serious bottlenecks in the movement of the cloth as, on the one hand, the consumer is starved of the supply while on the other, huge stocks are lying with the mills and distributing agencies. Thus an artificial shortage of controlled varieties of cloth has occured. The normal channel has stood the test of the time and they know by experience as to the size, quality, design and colour of the articles required in a particular area during a particular season. The cooperatives and other establishments run by people who do not have the experience of the trade, have miserably failed to deliver the goods". Government were therefore asked to state whether the existing channels of distribution of controlled cloth namely mills' retail shops, Super Bazars, Cooperatives and fair price shops had or would have adequate retail outlets to replace the traditional channels and reach the cloth to the weaker sections of the society both in the urban areas and in the remote rural areas. In reply Government have admitted that "these channels of distribution do not have adequate retail out-lets to replace the traditional channels and reach the cloth to the weaker sections of society both in the urban and in the remote rural areas and that it is difficult to create infra-structure of that magnitude in all States". They, however, maintain that the responsibility of distributing the available quantities in the various States is that of the concerned State Governments who should endeavour to make suitable arrangements for the purpose.

6.60. Replying to the question whether any check was kept on the existing five channels of distribution of controlled cloth so that there were no mal-practices in the distribution of this cloth, Government have stated that such a check has to be exercised by the concerned State Governments and if any mal-practices are noticed in the distribution of the cloth, it is for them to take suitable action

for which they have got adequate powers under the Essential Commodities Act, 1955.

6.61. During evidence, the representative of the Ministry of Commerce was asked whether any control or check was being exercised by his Ministry on the distribution machinery of the cooperatives to ensure that the controlled cloth being canalised through them is fairly distributed. He replied:

> "I do admit there is responsibility on us. But what I wish to say is that we have entrusted this to fully recognised institutions which are also formed under the law and they have got legal status".

Admitting that Government had received complaints in this regard he added:

> "The National Cooperative Federation and other Cooperative societies should also take it that it is their responsibility to see that proper price is charged. if they also overcharge what can we do? If such a thing is done, I won't even know about the transaction. It is largely their responsibility. We cannot have a police on every cooperative. This is a real difficulty for us."

Timely lifting of Stocks from Mills

6.62. Government were asked to state whether the controlled cloth allocated by the Textile Commissioner for the various States was lifted timely for distribution in these States and if not what difficulties were being experienced in this regard and what remedial measures have been taken therefor. In reply it is stated that the Controlled cloth allocated by the Textile Commissioner to various States is being normally lifted timely for distribution in these States. In certain cases, however, Government have noticed that documents for goods despatched by the mills are not retired by the State Government nominees in time resulting in undue delay. According to Government, apparently this is because of inadequacy of finances at the disposal of the nominees and that provision of adequate finance to the nominees by the State Governments would rectify such a situation.

Prices of controlled cloth

6.63. It is stated that the prices of controlled varieties of cloth have been worked out on the basis of a formula of multipliers, which is based on the formula devised by the Tariff Commission in

their report submitted in 1962 as subsequently modified by a Panel submitted in 1962 as subsequently modified by a Panel of Technologists. The formula takes into account the various elements entering into the cost of production such as cotton, labour etc. Any large fluctuation in the cost of these elements is taken care of by a corresponding revision of the multiplier. The prices were last fixed in May, 1968. With effect from 1st April, 1974, the Mills have been allowed an increase of 30 per cent over the May, 1968 prices. The price of controlled cloth produced by each mill is fixed by the mill itself after taking into account the various cost elements and the processes etc., which the cloth undergoes before its delivery by the mill. The prices thus fixed by the mills are scrutinised by the Textiles Commissioner on the basis of the manufacturing particulars and other data in respect of the cloth submitted by the mills to the Textile Commissioner. As regards controlled varieties of cloth, construction particulars have been laid down and prices have been fixed on the basis of these particulars. Some slight variations within each group have been permitted on technical considerations which may lead to a minimal difference in price in the market.

6.64. It is admitted that the existing channels of distribution of controlled cloth namely mills' retail shops, cooperatives, supar bazars and fair price shops etc. do not have adequate retail outlets to replace the traditional channels and reach the cloth to the weaker sections of society both in the urban and in the rural areas. It is also admitted that at present Central Government have no machinery to keep a check on the distribution machinery to ensure that the controlled cloth actually reaches the sections of society for which it is meant. The Committee have a doubt whether even the limited quantity of controlled cloth produced at present, is really distributed to the consumers at the controlled rates through the existing distribution channels. During their tours, the Committee received general compiaints about the non-availability of the controlled cloth both in urban as well as in rural areas. The Committee feel that at present a large quantity of controlled cloth gets diverted to unauthorised channels. The Committee would suggest that Government should have an independent investigation made by one of their own economic intelligence agencies as to who are the actual beneficiaries of the controlled cloth scheme and in the light of the facts gathered review the existing channels of distribution.

6.65. The Committee are afraid that if controlled cloth is not lifted from the mills on a timely basis for whatever reasons, it is bound to lead to malpractices. In fact the Committee have received reports that in many cases the cloth is deliberately not lifted timely

by collusion between interested parties to the detriment of the needy consumers. The Committee recommend that Governments should investigate in each case where the cloth has not been lifted in time by its nominees, be they Cooperatives or others, whether the reasons therefor are genuine. They would further like Government to consider this matter in depth and devise measures so as to plug this loophole for malpractice in the distribution of controlled cloth.

6.66. The Committee feel that the malpractices in the distribution of controlled cloth would be minimised if it is sold through fair price and authorised shops on ration cards. In metropolitan and industrial towns, the controlled cloth should be made available through fair price and authorised shops situated in areas where there is large concentration of workers and others belonging to low income group and in Jhuggi Jhonpri areas. People should be made aware of the existence of these shops by public announcements published in popular information media. The stocks received by these shops should also be similarly publicised. In small towns and rural areas, it would go a long way in improving distribution if the District Magistrate is reguarly informed of the despatches of controlled cloth in his District and he in turn adequately publicises the same in his District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.

6.67. The Committee also recommend that Government should lay on the table of Lok Sabha every six months a statement showing the production of various categories of controlled cloth by the mills and its State-wise distribution.

CHAPTER VII

INDUSTRIAL RAW MATERIALS

A. Aluminium

Demand, Production and Imports

7.1. The production of aluminium in the country during 1972-73 was about 1,76,000 tonnes. During 1973-74 the production has substantially come down. It is stated that during the first 9 months of the year (April-December), the production was only 111,950 tonnes which was short by 20,509 tonnes as campared to production during the corresponding period of 1972-73. It is estimated that as against the demand of 2,30,000 tonnes, about 1,68,000 tonnes (including 18,000 tonnes of scrap) is likely to be available during the current year (1973-74). There will thus be a shortage of about 60,000 tonnes during the current year (1973-74).

7.2. The quantity and value of aluminium imported during 1971-72 and 1972-73 have been indicated as under:—

	Quantity (Tonnes)	*Value (Rs. crores)*
1971-72	21,236	9·32
1972-73	1,664	2·77

Reasons for shortfall in Production

7.3. The sizeable decline in production of aluminium during 1973-74 is attributed to the drastic power cuts imposed by various State Electricity Boards on the smelters almost from the beginning of 1973. It is stated that besides short-fall in the availability of power for operating the already existing smelter capacity of 175,170 tonnes in the country, there is no sign of additional power being available for working the additional capacity of 29,000 tonnes (Hindustan Aluminium Company 15,000; Indian Aluminium Company 10,000; and Madras Aluminium Company, 4,000) newly installed in the last over 15 months. The primary producers have been directly dealing with the concerned State Electricity Boards regarding getting the required power supply. The Department of Mines has taken up the matter with Ministry of Irrigation and Power and the Planning Commission.

7.6. In exercise of the powers conferred by Section 3 of the Mines and Metals admitting the scarcity of the metal stated:—

> "It is admitted that there has been substantial scarcity of both electrical conductor grade aluminium as well as commercial grade aluminium. The situation became very bad during the last six months or eight months, and it came to our notice some time in January or February, 1973. Subsequently we have been taking this up with the State Electricity Boards and the State Governments that aluminium being the only non-ferrous metal in respect of which we have adequate manufacturing capacity, we should maximise the production, but it has not been possible for the State Governments to release further quantities of power for aluminium production. Aluminium is a power-intensive industry and requires a large quantum of power....
>
> The only problem in the matter of production of the required quantities of aluminium which will meet not only the internal demand but also allow for certain quantity to be exported is that there is no power. Recently, the Hindustan Aluminium Company has closed down some of the pots due to power cut. The Belgaum aluminium factory is already under a power cut of 27 per cent. The Madras aluminium company is also suffering a power cut of 20 per cent or so. So, unless this power is made available to the aluminium factories, they cannot produce."

7.5. The Committee appreciate that the power supply to industries had to be cut in different States for reasons beyond the control of the respective State Electricity Boards. They, however, feel that the aluminium industry, which is of vital importance for defence, tele-communication, power transmission etc., should have received special consideration in the matter of availability of power. The Committee consider that as the Ministry of Mines and Metals are primarily concerned with the production of aluminium in the country, it is their responsibility to assist the primary producers of this commodity in overcoming the problems which are vitiating production. The Committee, therefore, recommend that the Ministry of Mines and Metals should vigorously take up with the State Governments concerned the question of providing adequate power to the various units so as to enable them to utilise the installed and licensed capacity to the optimum extent.

Control on prices and movement

7.6. In exercise of the powers conferred by Ssction 3 of the Essential Commodities Act, 1955, the Aluminium (Control) Order 1970 was issued by the Department of Mines on the 20th March, 1970 to regulate the selling prices of aluminium and its products. In pursuance of the said Order, Government have fixed the selling prices of aluminium ingots, wire rods and rolled products excluding extrusions and foils. There is at present no statutory control over the distribution of aluminium metal. An informal control over the distribution of E.C. Grade aluminium has, however, been in force for the last four years under which the production of E.C. Grade metal is mainly allocated to the cable|conductor manufacturers.

Supplies to Small Scale Industrial Units

7.7. It has been suggested to the Committee that out of the total production of E.C. Grade aluminium priority quotas should be fixed for the small scale cable and wire industrial units on the basis of their assessed demand. Asked to indicate their reaction to this suggestion, Government have in a note furnished to the Committee stated that the quantities of E.C. Grade metal placed at the disposal of DC SSI for distribution to the various small-scale units through the State Directors of Industries during the last three years have been as under:—

1971-72—30,000 tonnes

1972-73—24,140 tonnes

1973-74—25,000 tonnes

Despite a substantial fall in the E.C. Grade metal production in the current year, Government have, appreciating the role of Small Scale Industrial Units, issued instructions to the primary producers to ensure 60 per cent supplies to Small Scale Industrial Units in the current year, against earlier allocations. It is expected that, in all small scale industries would receive about 18,000-20,000 tonnes of E.C. Grade metal in the current year, including carry-forward supplies made against previous year's allocations. This will constitute about 30 per cent of the total E.C. Grade metal production this year. The scale of supply to the small scale industries is indicative of the importance attached by Government to this sector of industry. Government have assured that this practice of assigning a specific quantity out of the estimated metal production to small scale industrial units will be continued.

Requirement of Export oriented production units

7.8. It was represented to the Committee that if the many manufacturers who had entered into international contracts for supply of elecrical goods of which E.C. Grade aluminium is an essential raw material were unable to fulfil the contracts, they would be subjected to heavy penalties, besides losing valuable foreign exchange. Government were asked to state whether any representation had been received by Government to that effect if so, what remedial action had been taken. They have in reply stated that a few export units have represented in the matter. Explaining the availability position of E.C. Grade Aluminium, Government have stated that according to the allocations of E.C. Grade metal for 1973-74 which were decided upon at the inter-ministerial meeting held in the Department of Mines on 9th February, 1973, (when it was anticipated that about 200,000 tonnes of aluminium, including about 120,000 tonnes of EC Grade, would be produced in 1973-74) a quantity of 5,000 tonnes of E.C. Grade metal was allocated in favour of the Engineering Export Promotion Directorate of the DGTD for distribution to the exporters of cables|conductors registered with them. Subsequently, the DGTD intimated to the Department of Mines that the demand of the exporters for E.C. Grade metal was about 10,000 tonnes and that the allocation of 5,000 tonnes for 1973-74 should be increased by 5,000 tonnes. Accordingly, the allocation to the exporting units was increased to 10,000 tonnes of E.C. Grade metal. However, owing to the severe power cuts imposed by the various State Electricity Boards and also owing to frequent power interruptions during the first half of the year, it is expected that the total metal availability will be only 75 per cent of the anticipated level and the availability of E.C. Grade metal will be just above 55 per cent of the expected figure of 120,000 tonnes. Accordingly, supplies to the various consuming units will fall short of allocations made earlier. It is further stated that keeping in view the likely shortfall in the availability of E.C. Grade metal *vis-a-vis* allocations and in consultation with the Ministry of Commerce, primary producer have been asked to ensure that supplies are effected in the current year to the extent of 60 per cent of allocations made earlier. This, the Government are given to understand, will meet the schedules for export of cables|conductors in the current year. As for meeting the balance demand by imports of the metal, the Government maintain that although imports are under consideration, they doubt whether the exporting units would be interested in lifting the imported stuff because cost of imported metal will be 50 per cent higher than that of indigenously produced metal.

Requirement of Re-rolling the utensil Making Industry

7.9. The re-rolling and utensil making industry, which uses Commercial Grade Aluminium, has suggested to the Committee that "all scraps and sheet cuttings obtainable out of production of Electrical Cables and large scale engineering firms should be reserved for their industry for making aluminium utensils for the poor man. It has also been suggested by them that a certain quantity out of total production of commercial grade Aluminium should be reserved for exclusive distribution among small scale units in the industry. Indicating their reactions to these suggestions Government have stated that Aluminium metal used by the electrical industry being of higher purity is usually re-used by the same industry, and the scrap availability is negligible. The scrap arisings from the engineering industry are usually recycled for its own use. The balance is mostly for alloys|die castings for use in the priority industry. Utensils being in the non-priority category, any diversion of good quality scrap for that industry at the cost of priority industry will not be desirable Utensils industry, Government maintain, will have to utilise, as far as possible, scraps of purity less than that required for priority industry. As regards reservation of commercial grade aluminium to small scale units, Government have stated that it would be necessary to have a census of small scale industry to determine for what purposes such reservations would be necessary because the end use of metal is important. According to them, once complete particulars of the end uses to which commercial grade aluminium is put, are available and there is a proper census of small scale units, it should be possible to consider, along with the stepping up of production of metal, reservation of some metal for this sector.

7.10. The Committee recommend that as aluminium utensils are generally used by weaker sections of society, the Ministry of Mines and metals should have the requirements of the utensil industry which consumes commercial grade aluminium, surveyed with a view to provide adequate raw material to this industry.

B. Soda Ash

Demand, Capacity Production and Imports

7.11. Soda Ash is an important industrial raw material. In view of its importance to the industry, it has been declared as an essential commodity under the Essential Commodities Act. The production of Soda Ash in the country during 1971-72 and 1972-73 was 4.79 lakh and 4.86 lakh tonnes respectively. The production during 1973-74

is expected to decline to 4.65 lakh tonnes against the assessed demand during this year of 5.50 lakh tonnes.

7.12. The quantity and value of imports during the year 1970-71 to 1972-73 have been as under:—

Year	Quantity (tonnes)	Value (Rs. lakhs)
1970-71	826	3·5
1971-72	11,110	50·40
1972-73	2,158	9·54

The imports during 1973-74 are expected to be of the order of 2500 tonnes, though orders were placed for 7500 tonnes.

Reasons for the shortage

7.13. It is stated that since 1970-71, shortage of soda ash developed in the country due to rise in demand from the consuming industries without any corresponding increase in installed capacity and consequently in the production of soda ash. The shortage can also be attributed partly to the power cuts in the States in which the Soda Ash units are located and partly to acute shortage of railway wagons for movement of raw materials like coal/coke from the Eastern region to the Western region and for distribution of finished Soda Ash from the Sode Ash factories (which are concentrated mostly in the State of Gujarat) to the Eastern and North Eastern regions of the country which are the main consuming centres.

Steps taken to meet the shortage

7.14. It is estimated that the demand for Soda Ash is likely to go up to 10 lakh tonnes during the last year of the Fifth Plan (1978-79). The existing installed capacity for manufacturing Soda Ash is however only 5.08 lakh tonnes while the production during 1973-74 is, as already stated, likely to be only 4.65 lakhs tonnes. It is stated that to meet the increasing demand of Soda Ash, an additional capacity of 3.25 lakh tonnes has been licensed and a further capacity of 5.57 lakh tonnes has been approved through issue of Letters of Intent. Further, it is stated that the matter regarding shortage of wagons for movement of coal/coke has already been taken up with the appropriate authority and that in order to overcome the difficulties of the Industrial units requiring Soda Ash for their manufacturing programme, restricted imports are

being permitted through State Trading Corporation. The expansion scheme for M/s. Tata Chemical for 1.44 lakh tonnes per year and that of M/s D.C.W. for 15,000 tonnes per year are likely to be implemented by the middle of 1974 while the scheme of M/s Haldia Fertilizers for 60,000 tonnes per year is likely to be implemented during 1974-75 period.

7.15. It is observed from the information furnished by Government to the Committee that the implementation of the licensed/approved capacity for Soda Ash is taking an inordinately long time. Government were asked to indicate the reasons for the delay. They have stated that most of the Soda Ash schemes approved, are based on Dual Process which requires Ammonia as one of the basic raw material. For economical operation, these units would need supply of Ammonia at a cheap price. Such projects are to be linked to different Nitrogenous Fertilizer Plants for supply of this vital raw material. Due to acute shortage of Petroleum Feed Stock the world over, there is a re-thinking in the Ministry of Petroleum and Chemical for switching over to an alternate source of Feed Stock like coal. As it is not clear at this stage as to the period by which sufficient Ammonia could be available from such fertilizer plants and as also at what price, the implementation of these approved schemes is likely to be delayed.

7.16. With reference to the statement that on account of a re-thinking in regard to the feed stock for the industry "the implementation of these approved schemes is likely to be delayed", Government were asked to state as to when a final decision was likely to be taken in that regard and when did the Government expect the approved capacity to materialise. In a reply received in February, 1974, it is stated that the creation of additional capacity is being examined in conjunction with the availability of ammonia from the proposed fertilizer plants. Government expect that necessary decisions in this regard will be taken "shortly".

7.17. It was observed that some State Industrial Development Corporations which were issued letters of intent for additional capacity for the manufacture of Soda Ash, had not applied for the Capital Goods Licence. The reason therefor is stated to be that they are still considering various matters, connected with the setting up of additional capacities including the availability of ammonia from the fertilizer plants.

Concentration of Soda Ash Industry in Gujarat

1.18. The Committee had received representations from the industries using Soda Ash that the Soda Ash manufacturing indus-

try is concentrated in Gujarat whereas the consumer industries were spread over the entire country. Logistic problems involved in moving Soda Ash to far flung areas could be avoided if the Soda Ash industry was dispersed. This would cut transport costs and at the same time reduce the haulage burden on the Railways. Dealing with this representation, Government have stated that out of the four existing units, three units with an installed capacity of 4.68 lakh tonnes/annum are located in the State of Gujarat. These units are based upon Standard Solvey process using common salt and lime stone as the main raw materials. Nearly two tonnes of limestone and salt are needed for one tonne of soda ash. Due to easy availability of these materials in the western coast belt, the factories were set up in Gujarat. The fourth unit (40,000 tonnes/annum capacity) based upon Modified Dual Solvey Process is located at Varanasi, U.P. New units have now been approved for being set up in other parts of the country e.g. in West Bengal, Rajasthan, Punjab, Kerala and Tamilnadu, etc.

Co-ordination for balanced production

7.19. Soda Ash being an industrial raw material, its adequate production is vital for sustaining the user industries. A substantial short fall in the production of Soda Ash is bound to affect the user industries causing economic and social problems. Government were, therefore, asked as to how was coordination maintained between the expansion of the Soda Ash using industries such as Class, Paper, Soap, Chemicals, Textiles etc. and the expansion of the Soda Ash manufacturing industry. In reply it is stated that the Ministry of Petroleum and Chemicals in consultation with the DGTD "takes into consideration the demand pattern of the different industries using soda ash while planning for expansion of Soda Ash Industry".

7.20. Dealing with the point regarding coordination during evidence, the representative of the Government stated:

> "There are task forces for various industries like glass etc. which require soda ash, and the demand for soda ash is determined by the end-use method. When the inticipated production of glass and that of other consumers is determined this information is pooled together and in the task force for soda ash, the requirements, depending upon the development needs of the other consumers, are estimated. This is how coordination is being maintained."

7.21. The Committee are concerned to note that the production of soda ash which is a vital industrial raw material has declined while its demand has increased. It is admitted that one of the reasons for the shortage of this commodity is that the installed capacity has not kept pace with the rising demand from the consumer industries. The Committee observe that the production capacity for this industry is not coming up on account of the delay on the part of the Government in taking a decision in regard to feed-stock for the industry. The Committee would like Government to take early decision in this respect so that the additional capacity licensed and approved for this industry actually materialises and the demand of the consumer industries is met in full.

CHAPTER VIII

CIVIL SUPPLIES ORGANISATIONS

A—Central Civil Supplies Organisation

Genesis

8.1. The Central Civil Supplies Organisation was set up in the Ministry of Commerce in June, 1966 following the devaluation of rupee in June, 1966 when there was a sharp rising trend in prices, "to keep a watch and coordinate the activities of defferent Ministries of the Government of India and of the State Governments in respect of selected articles of mass consumption". Initially, it was headed by a Commissioner of Civil Supplies of the rank of Joint Secretary. In 1969, with the Department of Internal Trade, the Civil Supplies Organisation was transferred from the Ministry of Commerce to the Ministry of Industrial Development. Following the declaration of Emergency and the promulgation of Defence of India Act and Rules made thereunder in December, 1971, the post of Commissioner of Civil Supplies was upraded to the rank of Additional Secretary and redesignated as Director General of Civil Supplies. In February, 1973, alongwith the 'Department of Internal Trade, this Oranisation was transferred aain from the Ministry of Industrial Development to the Ministry of Commerce and was placed under the charge of a Joint Secretary.

Organisation and Expenditure

8.2. At present the Civil Supplies organisation is headed by a Joint Secretary and has a total staff strength of 23 persons, of which 6 are gazetted. The total expenditure on this Organisation during 1971-72 was only Rs. 1.52 lakhs while the revised budget estimates of expenditure during 1972-73 are for Rs. 1.82 lakhs.

Functions of the Organisation

8.3. The functions of the Central Civil Supplies Organisation have been indicated as follows:—

(i) Administration of Essential Commodities Act, 1955, amendments thereof from time to time, delegation of powers under the Act, as and when necessary.

(ii) Review from time to time of control orders issued by various State Governments/Union Territory Administrations under the Essential Commodities Act.

(iii) Review of action taken by State Governments/Union Territory Administrations against hoarders and profiteers under the Essential Commodities Act, D.I.R. and Maintenance of Internal Security Act.

(iv) Keeping watch on the supply, availability and price of articles of mass consumption particularly the following 20 commodities:—

1. Food Grains
2. Edible oils including Vanaspati
3. Kerosene & Diesel Oil
4. Paper & Stationery
5. Drugs and Pharmaceuticals
6. Baby Food
7. Textiles
8. Matches
9. Sugar
10. Soap
11. Cycle Tyres & Tubes
12. Electric Lamps
13. Soda Ash
14. Torch Cells
15. Hurricane Lanterns
16. Bicycles
17. Razor Blades
18. Foot-wear
19. Milk
20. Household Utensils.

In addition to the 20 commodities which are under special watch, this Organisation has also been keeping watch over supply and distribution of essential commodities like Automobile tyres and tubes, soft coke/coal, salt and cement.

(v) Initiate corrective action wherever imbalances in supply and demand of consumer goods develop with consequent

effect in prices, through the appropriate agencies of the Government.

(vi) Keep in close touch with different Ministries of Central Government dealing with subjects relating to the production and distribution of goods and their prices.

(vii) Constantly to keep in touch with State Governments and Union Territories who are primarily concerned with retail trade in their respective jurisdiction.

(viii) Keep liaison with consumer industries for despatching, at short notice, supplies to pockets of scarcities on one hand and to ensure regular flow of consumer goods to Super Bazar, Consumer Co-operative Societies and Departmental Stores on the other.

(ix) Representation of the Civil Supplies Organisation at the price enquiries of various commodities conducted by the Tariff Commission the Bureau of Industrial Costs and Prices and similar organisations.

(x) Representation by the Civil Supplies Organisation on the various committees set up by the Indian Standards Institution for the purpose of standardisation of various goods and commodities.

(xi) To keep the Cabinet informed of the fluctuations in prices of selected essential commodities from week to week in the reporting centres situated all over India.

This Organisation is also keeping a watch on the availability of Railway wagons for the movement of essential commodities.

Collection of Data:

8.4. It is stated that the State Governments and the Union Territory Administrations are adequately equipped with the Civil Supplies Officers supported by the secretarial and field staff for collection of primary data, compilation thereof and despatch to the Central Civil Supplies Organisation. The data is collected on weekly basis ending every Friday by the Civil Supplies Departments of various State Governments. These Departments have adequate number of price collectors/inspectors posted at important centres in their respective States. The data is received in the Civil Supplies Organisation broadly in two forms:—

(1) Telegraphic reports indicating the abnormal variation in prices of commodities under special watch, their supply

position, cases detected, arrests made and prosecution launched against hoarders and profiteers under the Essential Commodities Act, 1955.

(2) Retail prices of commodities under special watch in a few selected centres in the States and Union Territories supported by the weekly review on the price trends compared to the previous periods.

The Civil Supplies Organisation at the Centre also receives the bulletins on various aspects of the commodities of mass consumption through the offices of the Economic Ministries of the Government of India which contain useful information for the purposes of analysing the prices and supply position etc. of various commodities of mass consumption. A few such important bulletins are:

Bulletin/Publication	Source
1. Bulletin on wholesale and retail prices of foodgrains in important centres of the country.	Date of. Economics & Statistics Ministry of Agriculture.
2. Bulletin on Market Arrivals from Villages of selected foodgrains and commercial crops.	Do.
3. Bulletin of Agricultural Prices in Inland and Foreign Markets.	Do.
4. Bulletin on retail prices of commodities under special watch of Civil Supplies Organisation.	Do.
5. Review on retail prices of commodities under special watch of this Organisation.	Do.
6. Forward Trading—Review on certain Essential Commodities.	Forward Market Commission Bombay.
7. Economic Review (Wholesale Price Index Numbers)	Deptt. of Economic Affairs, Min. of Finance.
8. Bulletin containing Index Number of wholesale prices in India.	Office of the Economic Adviser, Ministry of Industrial Development.
9. Consumer Price Index Number for Urban Non-Manual Employees.	Central Statistical Organisation, Cabinet Secretariat.
10. Monthly Abstract of Statistics.	Do.
11. Consumer Price Index Number for Industrial Workers.	Labour Bureau, Ministry of Labour, Employment & Rehabilitation.
12. Indian Labour Journal . .	Do.
13. R.B.I. Bulletin	Reserve Bank of India.

In addition to the above machinery at State and Central level, any additional information in respect of production of individual items and supply position is also called for from the various manufacturers/distributors of the items concerned as and when required

8.5. During evidence, the representative of the Ministry of Commerce was asked whether the weekly telegrams received by the Civil Supplies Organisation from the States contain information about the State as a whole or area-wise. He replied that the information contained in the weekly telegrams related "largely to immediate shortages" and that the system of a general report from the states had not yet been evolved.

Selection of Commodities under Special Watch:

8.6. It is noticed that at present 20 commodities (cf. para 8.3) are under the special watch of the Civil Supplies Organisation. These *inter alia* include electric lamps, hurricane lanterns, footwear, household utensils etc. Government was asked to state the criterion for bringing commodities under the special watch of the Civil Supplies Organisation. They were also asked whether any periodical review of such commodities was made and whether any proposals for modification of the list were under consideration of Government. In reply it is stated that the criterion for bringing commodities under special watch is that they should be essential articles of mass consumption and the object is to prevent hoarding and making them available at reasonable prices. This is decided at a high level, namely either by the Committees of Economic Secretaries or by the Cabinet Committee. The review is, it is further stated, made as and when necessary. The last review was made in September, 1967. No proposals for the modification of the list are presently under consideration of Government. It is, however, maintained that if any additions are called for by circumstances, necessary action to include it can be taken at once.

8.7. During evidence, the representative of the Ministry of Commerce stated that the selection of these 20 commodities did not restrict the role of the Civil Supplies Organisation because that Organisation was constantly watching and taking remedial measures in respect of items not included in that list also such as "Cement, soft coke/cole, automobile tyres, salt etc.

8.8. In reply to another point raised during evidence, the witness clarified:

> "The declaration of a commodity as an essential commodity is only an enabling factor. Thereafter, any kind of control that has been imposed on it comes from the orders issued under the Act. The mere fact of a declaration of a commodity as an essential commodity does not mean that it can be interfered with. It means that the Government can take action as soon as it becomes necessary to do so."

8.9. The Committee find that as many as 20 commodities are under the special watch of the Civil Supplies Organisation. The Committee feel that some of these commodities e.g. electric lamps, hurricane lanterns, footwear, household utensils, etc., need not engage the attention of the Civil Supplies Organisation as the supply position in these cases is easy. The Committee recommended that there should be a system of periodical review of the items for special watch by the Civil Supplies Organisation with a view to confine the special attention of that Organisation to only such Commodities of mass consumption the availability position in respect of which, is not comfortable.

Representation on Price Enquiry Committees:

8.10. During 1973, the Civil Supplies Organisation was represented on the Tariff Commission's Inquiry on revision of fair ex-works prices of Cement payable to the producers. Officers of the Civil Supplies Organisation are also stated to have attended five meetings of the Drugs Prices Review Board held in the Ministry of Petroleum and Chemicals at which the prices of drugs and other formulations were considered.

Keeping liaison with Industries:

8.11. To keep liaison with the consumer industries for despatching goods at short notice to pockets of scarcity is also one of the functions of the Civil Supplies Organisation. On being asked whether the Civil Supplies Organisation has adequate powers to perform this function effectively or it has to seek the assistance of the Ministry concerned in the matter, it has been stated that although the Civil Supplies Organisation does not have direct powers to ensure that goods are despatched by the manufacturers at short notice to pockets of scarcity, yet communications addressed by it are acted upon immediately. On receipt of shortage reports, the

matter is taken up with the manufacturers for remedial action, and they normally accede to the request to the extent possible. A total of 44 such references were made by the Organisation to the manufacturers during 1973.

Measures taken or envisaged to keep the prices of essential commodities in check:

8.12. It is stated that the Central Civil Supplies Organisation endeavours to keep the prices of essential commodities at reasonable level through the offices of the Ministries administratively incharge of commodities. The measures are:

(1) *Increase in production to meet the demand*

The Civil Supplies Organisation keeps a very close liaison with the Ministries administratively incharge of various essential commodities in order to see what steps are being taken by these Ministries to augment the production of essential items so that these do not fall short of the requirements in normal times. In case of sudden short-fall of production in any essential item due to any emergency, imports are urgently resorted to as has been done in case of steel and vegetable oil in the recent past to meet the indigenous requirements.

(2) *Fixation of prices statutorily and informally*

After the policy of the Government to decontrol the prices of commodities under statutory price control till 1962, as far as possible, an informal and voluntary type of arrangement, generally termed as 'informal price control', is made with the industry. Under 'informal price control', manufacturers are required by the Government to take prior clearance before any incease in the prices of any particular commodity is actually effected by the manufacturers. Such type of price control exists in the case of baby food, matches, paper, automobile tyres and tubes, dry cells, soap and bicycles. When the Government feel that 'informal price control' may not work well in checking hoarding and black-marketing, the Central Government have powers under the Essential Commodities Act, 1955 to impose statutory price control. The commodities in respect of which prices have been fixed statutorily are:

1. Wheat products manufactured by Roller Mills.
2. Rice Bran (Punjab and Haryana).
3. Levy Sugar.

4. Vanaspati.
5. Kerosene Oil and Aviation Turbine Fuel and Diesel Oil.
6. Coarse and medium 'B' categories of Dhoties, Sarees, Long Cloth, Shirting and Drills of specified constructional particulars manufactured by composite mills.
7. Drugs.
8. Fertilisers: (i) Ammonium Sulphate, (ii) Urea, (iii) Calcium Ammonium Nitrate (20.5%N), (iv) Ammonium Sulphate Nitrate.
9. Synthetic Rubber.
10. Tractors.
11. Aluminium.

(3) *Organisation of public distributive system for Essential Commodities like foodgrains, sugar and milk*

Foodgrains: In order to make public distribution system in wheat more effective, number of fair price shops has been vastly increased throughout the country. The total number of fair price/ration shops functioning in the country at the end of 1972 was about 165 thousand as against about 121 thousand at the end of 1971. The population covered under statutory and informal rationing was about 16.0 and 395.7 millions at the end of 1972 as against 15.2 and 284.3 at the end of 1971.

Sugar: Sugar is released partially in open market for sale and partially through the fair price/ration shops. The quantity of sugar released through the fair price shops is 70 per cent of the total releases (after meeting certain export commitments).

Milk: Public distribution system also exists in milk at places like Delhi, Bombay, Calcutta, Madras and Ahmedabad. The production/distribution of milk in the organised diary plants has been increased; the average daily output being 20 lakh litres during 1969-70, 22.5 lakh litres during 1970-71 and 24.0 lakh litres during 1971-72. It is estimated to be of the order of 28.0 lakh litres during 1972-73.

(4) *Fair distribution of essential commodities through regulatory control under the Essential Commodities Act*, 1955

Adequate powers are delegated to the State Governments/Union Territory Administrations to regulate distribution of essential commodities under the Essential Commodities Act as and when the

scarcity condition start exhibiting in a particular State or Union Territory. Central Government also issues orders for regulatory distribution control under the Industrial (Development and Regulation) Act, 1951 as has been done in case of scooters and motor cars.

(5) *Availability of essential commodities through co-operative channels*

Elaborate machinery exist for the sale of consumer goods through an extensive net work of cooperative stores and super bazars opened by the Government throughout the country. There are at present 109 super bazars, 389 wholesale cooperative stores and 12,924 primary consumer co-operative stores which cater to the large population of the country.

Besides the above long term and continuous measures to keep the prices of essential commodities in check, certain *ad-hoc* measures are also taken by the Government.

Adequacy of the Organisation:

8.13. Government were asked to state whether the Civil Supplies Organisation was fully equipped to effectively perform the functions for which it was responsible. In reply it is stated that the organisation has only a skeleton staff with a limited expertise. Although it has at present no direct involvement in the production, distribution or pricing policy of these commodities, yet it keeps in intimate touch with the administrative Ministries incharge of the various essential commodities. Thus, the role of Civil Supplies Organisation at at present is somewhat limited and circumscribed. Essentially, it serves as a nodal organisation which keeps a constant watch on the availability and price trends of various essential commodities and informs the concerned agencies for remedial action to be taken to deal with shortages.

8.14. It is further stated that the actual maintenance of supplies and services essential to the life of the community and securing equitable distribution of articles of mass consumption at fair prices largely is, in the ultimate analysis, the responsibility of the State Governments and the Union Territory Administrations. The role of the Central Government has to be essentially to ensure adequate production and availability of such articles in the various parts of the country.

8.15. Asked to offer suggestions for making the Civil Supplies Organisation more effective in dealing with the shortage of essen-

tial commodities occurring from time to time, the Ministry of Commerce (Department of Internal Trade) have in a note furnished to the Committee stated that since the functions assigned to the Organisation and the administrative Ministry concerned with the commodity are interdependent, linked with each other and complementary in nature, it is felt that if the Civil Supplies Organisation is to be more effective, it should be involved as fully as possible with all major policy consultations and decisions, as also with the planning of production, distribution and pricing of essential commodities at as many stages as possible. Further, as this Organisation is concerned with the administration of Essential Commodities Act, 1955, it should also have a much more positive role to play in regard to the actual distribution of commodities of mass consumption and ensuring their availability at fair prices.

8.16. During evidence, the representative of the Ministry of Commerce was asked to state whether, in view of the limited role being performed by the Civil Supplies Organisation, the existence of such an organisation was at all necessary. He replied:

> ".....the Civil Supplies Organisation was set up because although the many production Ministries had their own different subjects and facets of economy, there was no coordinating link as between the States where the consumption takes place, and the producing agencies in regard to watching the interests of consumers. It was in that nodal context that the Civil Supplies Organisation came into existence, so that there might be some organisation taking an all round view who can ascertain where shortages or deficiencies are felt at a particular juncture and immediately to get in touch with the people concerned who can make good that deficiency. That is the main function..... Wherever shortage comes in, wherever a problem connected with civil supplies comes in, wherever the contacts have to be made—(with) consuming agencies and producing agencies—and whatever has to be done in regard to essential commodities, it falls on this organisation. The only trouble is that it is not adequately staffed or equipped.....we are having an inter-ministerial meeting to go into this insufficiency or inadequacy of the organisational set-up and then to get the data-processing and analytical results out of it, so that at any given point of time, we should be able to anticipate long ahead of time what is going to happen. We must plug the loop-

holes immediately. That is the set-up that we are envisaging."

8.17. Government were asked to furnish a copy of the decisions taken at the inter-ministerial meeting to go into the organisational set up of the Civil Supplies Organisation. In a reply received in February, 1974, the Ministry of Commerce have stated that the matter "is still under consideration."

8.18. Asked during evidence whether any appraisal of the working of the organisation had been made since it was set up in 1966, the representative of the Ministry of Commerce replied that "no specific appraisal as such has been made" but "almost annually, we have a review and the deficiencies are analysed".

Report to Cabinet:

8.19. As stated earlier, one of the functions of the Civil Supplies Organisation is to keep the Cabinet informed of the fluctuations in prices of selected essential commodities from week to week in the reporting centres situated all over the country. During evidence, the representative of the Ministry of Commerce was asked to state whether the system of weekly reports to Cabinet was continuing. He replied:

> "Originally it used to be done fortnightly. When the Indo-Pak war took place, the report was required to cover a lesser number of commodities every week. That practice continued till April, 1973. Then it was felt at the Cabinet Secretariats level that the Cabinet need not be given this kind of weekly report because it contains too many details about local shortages etc., and they would much rather like to have a more exhaustive analysis of the situation. A Committee was set up under the Chief Economic Adviser in the Finance Ministry to consider this matter. It has been decided that it will be a monthly report which will cover not only those 20 items but other economic factors leading to shortages, likely trends etc. This will be an exhaustive report for which we are arranging the necessary infrastructure."

8.20. The Committee appreciate the objective with which the Civil Supplies Organisation was set up in order to provide timely intelligence to the highest authorities in Government in the matter of demand and availability of essential commodities of every day use to the public. They note that it serves as a nodal organisation

which keeps a constent watch on the availability and price trends of various essential commodities and informs the concerned agencies for taking remedial action to deal with shortages. While the Committee do not want to minimise the service rendered by this organisation in times of real stress and strain and in effecting coordination between different departments they feel that it has not put its experience to full use in refining its forecasting ability or in projecting in a meaningful manner the areas of likely shortages and strains so as to facilitate action at the highest level. A plea has been put forward before the Committee that there are constraints of funds and man-power wich come in way of the Civil Supplies Organisation discharging its duties and resposibilities in a meaningful manner. The Committee feel that the role and objectives of Civil Supplies Organisation should be precisely defined by Government and they should be given expert corps of staff well-versed in economics with practical field experience so as to assess and forecast in a realistic manner the requirements, the likely availability, the stresses and strains developing in the system and present a plan for action so as to facilitate decision making at the highest level. The Committee would like to be informed of the action taken by Government to streamline and reorient the Civil Supplies Organisation to discharge effectively its duties and responsibilities.

Effect of Bank Credit on Availability and prices of Commodities:

8.21. Government were asked to state whether any study had been made regarding the effect of bank credit on the availability and prices of essential commodities of mass consumption, particularly during periods of shortages and if so, with what results. In reply it is stated that an analysis has been made in the Reserve Bank of the flow of bank credit against the security of commodities which are subject to selective credit control. Commodities covered under the study are foodgrains, edible oil seeds and edible oil, vanaspati, sugar, cotton and kapas and raw jute. The analysis showed that only a restricted quantum of credit had been made available to the traders. Thus, as at end of June, 1973, of the total advances against the selected commodities amounting to Rs. 405.85 crores, advances to the group 'other' amounted to Rs. 105.36 crores. As this group includes besides wholesale traders, others, such as retail traders, farmers etc., it is obvious that the advances to wholesale traders have been quite small.

8.22. It is further stated that in administering Credit Policy, the Reserve Bank has always sought to ensure that excessive credit facilities which would encourage speculative hoardings of commodities of mass consumption which are in short supply are discuraged. It is also aware of the continuing need to adapt the magnitude and terms of availability of credit against these commodities to the conditions of supply in the market and the genuine requirements of farmers against the overall need of restricting credit expansion.

8.23. It is added that in the formulation of its selective credit policies involving the commodities discussed above, the discussions with the trade associations cover the whole gamut of relevant factors such as anticipated output levels, consumption pattern, requirements for exports etc. The Reserve Bank and the Ministry of Finance are in continuous dialogue about the above situation.

Association of Public with control measures

8.24. The Government were asked whether they had examined the feasibility of associating the public with the administrative machinery devised for checking the offences under the Essential Commodities Act and if so, with what results. In reply they have stated that while no general scheme has been drawn up for such public association, every encouragement is being given to the growth of consumers' resistance societies and vigilance Committees in various parts of the country. These are, however, largely at local levels and assisted by local authorities.

8.25. In reply to a similar question asked during evidence, the representative of the Ministry of Commerce replied:

> "This has been in the forefront of our thinking almost for many years. With this in view, we tried to encourage consumer societies. In Delhi itself, a very big organisation—the Consumer Council of India—was set up.

Unfortunately, when it comes down to working, many things happen which make it difficult for them to function. Other cosiderations come in. The Consumer Council of India came to grief due to internecine troubles. In spite of that, Government is trying constantly to encourage formation of local consumer bodies in various places."

8.26. Asked to give his views regarding the setting up of vigilance committees consisting of public workers for assistance in checking violations of the Essential Commodities Act, the witness stated that "sometimes wrong type of people are associated with such Committees and they create more trouble." It was pointed out to the witness that in Maharashtra, vigilance committees had been formed at the village level, taluk level and district level which were authorised to visit ration shops and make a report and that the tehsildar had been ordered to see that action was taken on their reports. The witness agreed that "this is the only solution that was possible".

8.27. The Committe feel that the active involvement of public in the enforcement of various civil supplies control measures at all levels—village, tehsil|taluk, district—would be of immense help to the existing organisation evolved by the State Governments for the purpose. The Committee, therefore, suggest that a special study may be made by the Civil Supplies Organisation as to the manner in which effect public cooperation could be mobilised for the assistance of the executive machinery for the enforcement of the various civil supplies control measures in the States. The conclusions arrived at after such study may be commended to the State Governments for adaptation.

B—State Civil Supplies Organisation

State Organisations:

8.28. With a view to exercise powers delegated to the State Governments and the Union Territory Administrations under the Essential Commodities Act, 1955, Defence of India Rules etc., arrangements exist in the States and the Union Territories for carrying out these functions. The pattern of machinery in the States is more or less on the same lines. The Commissioner of Civil Supplies or the Secretary of the State Government heads the Department of Civil Supplies supported by the necessary Secretarial and inspectoral staff. The inspectors are posted at important points in the States to see that the orders in regard to price controls, supplies and distribution of essential commodities are imple-

mented by the trade. Besides this, there are price collectors in the various States who collect the prices of essential commodities at wholesale/retail points and report the same to their head-quarters in order to see that prices charged by the trade are not unreasonable. Separate wings have also been set up in this Department for the procurement and purchase of foodgrains etc.

8.29. During evidence, the representative of the Ministry of Commerce was asked to state whether any study of the Civil Supplies machinery devised by the various State Governments had been made by the Civil Supplies Organisation at the Centre with a view to evolve an effective model organisation for the benefit of the State Governments and Union Territories so as to plug loop-holes in the effective functioning of the existing machinery. In reply he stated:

> "We have not evolved any model machinery as such because conditions vary from State to State..... The machinery is often felt to be inadequate. Unfortunately in the field of civil supplies, the adequacy and inadequacy is so tied up with the condition of a particular harvest. When there is a bumper crop, everybody says, it is infructuous expenditure maintaining this staff and so it must be disbanded. All action is concentrated on getting rid of the staff. But when there is a failure of crop, suddenly they ask, where is the civil supplies machinery? In each State, they have a basic nucleus machinery. The civil supplies department is the procurement agency. Enforcement is largely given to the policy agency. Whenever a crisis comes up, they supplement it through department inspectors. By and large, the machinery is good, but in details, the need has to be varied according to the situation."

8.30. The Committee would suggest that the Civil Supplies Organisation should make a comparative study of the Civil Supplies Organisations and control machinery evolved by the different States, analyse and evaluate the same, and make the results of their study available to all the States for their benefit.

Review of Control Orders and action taken against hoarders, etc.:

8.31. It is stated that the State Governments have been empowered to issue Control Orders under the Essential Commodities Act in regard to distribution, display of prices, etc. Copies of such Orders are furnished to Civil Supplies Organisation. Weekly reports are also furnished to the Civil Supplies Organisation in regard to action

taken against hoarders and profiteers. Reviews are made by the Civil Supplies Organisation from time to time on the Control Orders issued by State Governments and on the action taken against hoarders and profiteers. In the light of experience gained and deficiencies noticed in various control orders, action is taken by the Civil Supplies Organisation to make the existing provisions of the Essential Commodities Act, 1955, more stringent and effective by amending the relevant Sections of the Act. The Act was amended in the past in 1967 and 1971. Further amendments to make the Act more stringent are stated to be under consideration of Government.

8.32. The Committee would suggest that the Civil Supplies Organisation should make a comparative and critical study, commoditywise, of the different control orders issued by the various States. The result of the study made should be circulated to the State Governments to enable them to take corrective measures, wherever necessary.

NEW DELHI;
April 26, 1974.
Vaisakha 6, 1896 (*S*).

R. K. SINHA,
Chairman,
Estimates Committee.

APPENDIX I

(*See* Para 1.4)

List of Essential Commodities Declared Under the Essential Commodities Act, 1955

Declared under clause (a) of section 2 of the Act :

1. Cattle Fodder, including oilcakes and other concentrates.
2. Coal, including coke and other derivatives.
3. Component parts and accessories of automobiles.
4. Cotton and woollen textiles.
5. Foodstuffs, including edible oilseeds and oils.
6. Iron and Steel, including manufactured products of iron and steel.
7. Paper, including newsprint, paperboard and straw board.
8. Petroleum and Petroleum products.
9. Raw cotton, whether ginned or unginned, and cotton seed.
10. Raw jute.

Declared under sub-clause (xi) of clause (a) of section 2 of the Act:

11. Jute textiles	S.R.O. 325 dated 15-2-1956
12. Drugs	S.R.O. 828 dated 9-4-1956
13. Fertilisers, whether inorganic, organic or mixed.	S.R.O. 1048 dated 29-3-1957
14. Non-ferrous metals 15. Organic heavy chemicals 16. Inorganic heavy chemicals 17. Cinema films (raw)	S.R.O. 2175-A dated 29-6-1957
18. Press Mud	G.S.R. 503/Ess. Co. dated 18-4-1959 (No. 15-1/59-SV)
19. Cinema Carbon	S.R.O. dated 13-9-1960 [No. Chem(1)-7(5)60(1)
20. Cement	S.R.O. 3594 dated 24-11-1962 (No. 14-6/62-Cem.)
21. Manufactures and semi manufactures of non-ferrous metals.	S.O. 2896 dated 7-3-1963 No 4(5)Met/60.
22. Soap	S.O. 481 dated 7-2-1963. [No. 8(17)/62-CH-II].
23. Textile Machinery— (i) Blow room machinery (ii) Carding engines (iii) Draw frames (iv) Speed frames (v) Ring frames (vi) Winding machines (vii) Doubling machines	S.O. 3218 dated 19-10-1962 (No. 22/34/62-Tex(B).

(viii) Reeling machines (ix) Bundling machines (x) Bailing machines (xi) Power looms (xii) Side frames of power looms (xiii) Spare parts of power looms and ring frames.	S.O. 3218 dated 19-10-1962 (No. 22/34/62—Tex (B)
(xiv) Wool combing machinery (xv) Woollen— (a) rag washing machine (b) rag tearing machine (c) rag cutting machine, and (d) garnotting machine	S.O. 689, dated 16-3-1963 (No. F.17(16) Tex (D)/62]
(xvi) warp knitting machines including Raschel knitting machines worked by power;	S. O. 3395, dated 28-11-1963 (No. F.2 (15)/61-Control-L).
(xvii) embroidery machines, other than sewing type of embroidery machines, worked by power and used for decorating the textile fabrics with designs formed with any type of thread by the help of needles;	
(xviii) lace making machines worked by power and used for production of fabrics of open mesh or net formed by crossing and inter-twisting threads; and	
(xix) machines worked by power and used for printing of cloth by means of engraved rollers or screens.	

24. Textiles made from silk	(S.O. 2114, dated 21-9-59 No. 23(3) Tex(D)/59).
25. Textile made wholly or in part from man-made cellulosic and non-cellulosic spun fibre.	
26. Textiles made wholly or in part from man-made cellulosic and non-cellulosic filament yarns.	S.O. 2114 dated 21-9-1959 (No. 23(3)Tex(D)/59).
27. Matches	S.O. 1837 dated 14-6-1966 No.26 (11) Com. Genl/66.
28. Cycle tyres and tubes (including cycle rickshaw tyres and tubes)	S.O. 2511 dated 17-8-1966
29. Ferro-silicon 30. Silico-maganese 31. Ferro-chrome 32. Ferro-molybedenum 33. Ferro-tungstan 34. Ferro-manganese 35. Ferro-vanadium 36. Ferro-phosphorus	S.O. 1931 dated 23-6-1966 (No. 26(11)Com. Genl/66).

37. Ferro-titanium.	
38. Ferrous scrap containing more than (i) 0·50 per cent Nickel or (ii) 0·20 per cent Molybdenum or (iii) 1·00 per cent Tungeten or (iv) 0·20 per cent Vanadium or (v) 1·00 per cent Cobalt	S.O. 1931 dated 23-6-1966 [No. 26(11)Com. Genl/66]
39. General Lighting Service Lamps .	S.O. 2135 dated 15-7-1966 (No. 26(11) Com. Genl/66).
40. Fluorescent tubes	
41. Soda Ash	S.O. 2381 dated 8-8-1966 (No. 26(11) Com. Genl/66)
42. Dry Cells for torches	
43. Hurricane lanterns	
44. Household appliances such as electric irons, heaters and the like.	S.O. 76 dated 4-1-1967. (No. 26(11) CS.II/66).
45. Synthetic rubber	S.O. 84 dated 5-1-1967 (No. 1(55)/66-DEP-I)..
46. Rayon cord	
47. Carbon black	
48. Polyvinyl chloride (P.V.C.) resins and compounds	
49. Polystyrene and Polystyrene moulding powder	
50. Polyethylene and Polyethylene moulding powder.	
51. Tractors	S.O. 615 dated 9-2-1967 (No. 26 (11)CSII/66).
52. Tyres and tubes of scooters (including scooter rickshaws and Auto rickshaws)	S.O. 218 dated 11-1-1968 (No. 26(7)/CS. II/67).
53. Coconut Husk (Raw or rotted)	S.O. 2615 dt. 22-7-68 (No. 23(8)Tex (D)/68).
54. Tyres & tubes of cars/Buses, Jeeps, Vans, Trucks, automobile of any other category whatsoever Tractors and Tractor Trollies.	S.O. 2878 dt. 22-8-68 (F. No. 26(7) CS. II/67) S.O. 85 dt. 3-1-1969 (F.No. 26(9)CS.II/68)
55. Dry Cells and Batteries for Transistor Radios .	S.O. 3840 dt. 28-10-68 (F. No. 26(7)CS. II/68)
56. Tyres and Tubes of Animal Drawn Vehicle .	S.O. 767 dt. 13-2-70 (F.No. 26(7)/69-CS.II).
57. Electric Cables and Wires.	S.O. 2532 dt. 24-7-1970 (F. No. 26(14)/CS.II/70)
58. Man-made cellulosic and non-cellulosic stample fibres.	S.O. 492 (E) dt. 10-7-72 (F. No. 26(4) CS. II/71)
59. Crude Oil	S.O. 5540 dt. 22-12-71 (F. No. 26(12)CS. II/71).

Yarn made wholly or in part from any of the following materials namely:— (i) Cotton; (ii) Wool; (iii) Man-made cellulosic spun-fibre; (iv) Man-made non-cellulosic spun-fibre; (v) Silk.	S.O. 188(E) dt. 31-3-1973 (F. No. 26(5)-CS.II/73)

APPENDIX II

Statement showing Summary of Recommendations/Conclusions contained in the Report

S. No.	Reference to Para No. in the Report	Summary of Recommendations/ Conclusions
1	2	3
1	1.11	The Committee regret that the various proposals for amendments to the Essential Commodities Act, made with a view to make the statute a fool proof deterrent for unscrupulous elements, are being examined by Government in a leisurely manner. This is evident from the fact that between June, 1973 and February, 1974 when information on the subject was made available to the Committee, none of the proposals had taken a concrete and final shape. In the context of large scale unfair trade practices and patent as well as latent violation of various regulatory orders issued under the Act, the Committee need hardly underline the importance of bringing before Parliament without delay, a comprehensive amending legislation to overcome the difficulties being experienced in the administration of the Essential Commodities Act.
2	2.6	The Committee consider it rather strange that whereas in any system of planning, first the demand is assessed and then the availability is planned accordingly, in the case of foodgrains the Ministry of Agriculture seek to estimate the demand on the basis of availability. While noting the views of Government that the requirement of foodgrains depends upon "produc-

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		tion, income, relative level of price etc.", the Committee consider that food being a basic human necessity, it is imperative that the requirements are assessed and projected most carefully on the basis of known minimum requirements. The Committee are surprised that Government are not able to give definitive information about the requirements of foodgrains. The Committee regret to find that the requirements are being determined in an arbitrary manner from season to season on the basis of reports from States regarding availability of foodgrains which, according to Government themselves, are neither available in time nor are very reliable. The Committee strongly recommend that the Central Government should, without any further delay, devise suitable methodology for assessing every year the overall demand of foodgrains in the country on the basis of the minimum consumption requirement, so that the total availability of foodgrains could be planned in a more systematic manner.
3	2.7	The Committee note that to reduce the time lag in the availability of the data from the States, the Ministry of Agriculture introduced in 1969-70 a wholly Centrally financed scheme known as "Timely Reporting of Estimates of Area and Production of Crops" and that the scheme is in operation in 11 States so far. This scheme envisages advance data collection in respect of one out of five villages selected at random i.e. in respect of about 20 per cent of the villages. In addition, the National Sample Survey Organisation of the Department of Statistics also arranges supervision of crop cutting experiments and land utilization statistics by the State Governments. According to Government, this supervision was not adequate and the data also was not very reliable. A new scheme for data collection is being introduced

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		by the Department of Statistics in cooperation with the Ministry of Agriculture, under which 10,000 villages would be selected for data enumeration-half of these villages will be supervised by State Government staff and half by the Central organisation staff and the data would be exchanged between the State Governments and the Central Government so as to have more and timely statistics. The Committee find that neither the scheme introduced by he Ministry of Agriculture in 1969-70 to collect timely data about the production in each State nor the scheme under which the National Sample Survey Organisation supervises crop cutting experiment and land utilization statistics in the States, were found effective in collecting reliable and timely production data in the States. It is surprising that Government could not effectively co-ordinate the activities of these two departments and put into force a scheme to collect reliable and timely data. The Committee are not sure whether the new scheme for data collection, which is now being introduced by the Department of Statistics in co-operation with the Ministry of Agriculture, has been evolved after a through examination of the short-comings found in the earlier schemes. The Committee would like Government to closely watch the results of the working of this scheme, so as to effect improvements without delay. The Committee need hardly stress that unless Government arrange to assess reasonably correctly the crop prospects, they would not be able to take timely measures to procure the foodgrains within the country and/or import them from outside or initiate concerted measures for implementing contingency emergency agricultural production programme. The Committee would like to be informed of the concrete measures taken in this behalf and the success achie-

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		ed in procuring more accurate and realistic estimates of food production.
4	2.12	The Committee understand that in 1972-73 Government had a buffer stock of 7-8 million tonnes of foodgrains but with the failure of monsoons in June-July, 1972 an unprecedented pressure developed on the public distribution system. The Committee understand that Government resorted to Emergency Agriculture Preduction Programme at a cost of Rs. 148 crores to bring about increase in food production. The Committee are left with an impression that if Government machinery had been able to assess correctly that there was a shortfall of as much as 22 million tonnes between the crop of 1972-73 and of the previous year, they would have taken more expeditious measures to arrange for import of foodgrains in time rather than get them towards the fag end of 1972-73 when the pressure on the prices of foodgrains had become unrelenting and had caused widespread distress to the public at large particularly the weaker section of society. The Committee would like Government to learn two lessons from this experience. First their methodology and organisation for assessment of demand and availability of foodgrains needs significant improvement. Secondly, Government should not allow their buffer stocks to be depleted to the extent that happened during 1972-73 as hereby their position to influence prices through releases from the buffer stock gets perceptably reduced leading to spiralling up of prices and exposing the weaker sections of society to great suffering.
5	2.13	As regards the Emergency Agricultural Production Programme, Government have themselves admitted that it was not able to make any notable contribution towards increased

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		producion. The Committee would like Government to critically evaluate the experience of Emergency Agricultural Production Programme and work out in advance well thought out schemes in consultation with State Governments which would make for creation of durable assets and would result in achieving targetted production in a short period to relieve the shortages.
6	2.45	The Committee note that at present the cost of production data in respect of foodgrains is not sufficientily comprehensive as it does not reflect the higher cost of production in difficult and inaccessible areas e.g. Madhya Pradesh, Orissa etc. They recommend that the cost of production of principal crops should be studied systematically in typical areas and a compounded cost of production should be worked out so as to present a realistic picture.
7	2.46	The Committee note the announcement made by the Minister of Agriculture in the Lok Sabha on the 28th March, 1974 of the revised policy for procurement and pricing of wheat for the 1974-75 reason. Food being the basic human necessity, it is of utmost importance that this essential commodity is easily available to the common man, particularly the weaker sections of society, at reasonable prices. The Committee would therefore like to emphasise that whatever policy the Government decide to follow, it should be sincerely implemented by all concerned. The new policy envisages an important role for the trader in the distribution of food. The Committee hope that the farmer, the trader and the public servant would imbibe a national outlook and extend their full cooperation in making the new policy a success and prevent the arising of a situation where the common man is engulfed in the spiral of rising prices.

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		At the same time, the Committee would like Government to devise strict measures of control and regulation in respect of private trade in wheat, including a ceiling on prices and to take stringent measures against profiteers, hoarders and other anti-social elements so that the public does not suffer, by amending the existing law, if necessary.
8	2.47	The Committee also recommend that the support and procurement prices of foodgrains should be extensively publicised immediately after announcement, so that the farmers in their villages become aware of these prices.
9	2.48	The Committee note that some States are surplus while others are chronically deficient in food production. Even the deficit States have some pockets of surplus areas. It is therefore imperative that realistic target of procurement of both rabi and kharif crops should be fixed in respect of each State and concerted efforts made to maximise procurement of foodgrains for delivery to the Central Pool. It is the responsibility of the surplus States to procure foodgrains to the maximum so that the deficit States can be supplied foodgrains to meet the needs of public distribution system. It is equally necessary that deficit States do not over-pitch their requirements of foodgrains but keep them to the minimum and make earnest efforts to procure foodgrains from the surplus areas in their respective States.
10	2.48	The Committee consider that food problem is likely to remain with us for quite some time as a vast country like ours, is susceptible to floods, droughts, power failure etc., which affect food production. It is therefore, very necesary to build up adequate buffer stocks of foodgrains in the country to meet unforseen circumstances.

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		The Committee realise that the main constraint in imports of foodgrains, is the difficult foreign exchange position as well as the high prices prevailing in the international market. The Committee would however like Government to seek suitable opportunity to import as much foodgrains as required not only to sustain the supplies through the public distribution system but also to build up gradually a confortable buffer stock to influence effectively the market price for foodgrains.
11	2.50	The Committee would also like Government to undertake a review of the commitment on the public distribution system, keeping in view the stock position and the procurement prospects of foodgrains so as to keep the commitments to the extent which can be properly and efficiently met as any breakdown or delay in the distribution of foodgrains, apart from causing distress to the public, creates a scarce and a climate of scarcity leading to hoarding etc. The Committee would like to emphasise that while the needs of metropolitan towns, State Capitals, major industrial towns and chronically deficit areas in the various States are to be kept in view, the primary concern should be to meet the needs of the vulnerable and weaker sections of the society through the public distribution system.
12	2.57	The Committee are informed that the average procurement incidentals and storage, movement and distribution cost incurred by the FCI amount to about Rs. 23 per quintal in the case of wheat while the average rate of Government subsidy to FCI in the case of wheat is estimated at Rs. 32.54 per quintal. The procurement price of ordinary wheat during 1973-74 having been fixed at Rs. 76 per quintal, the minimum issue price to break ever would be Rs. 99 per quintal. The average landed cost of imported wheat is

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		reported to be Rs. 107.50 per quintal. Thus, even after the issue price of wheat was raised from Rs. 78 to Rs. 90 per quintal, it remained highly subsidised by Government. The procurement and pricing policy for wheat for 1974-75 season announced by Government provides for a procurement and issue price of Rs. 105 and Rs. 125 per quintal respectively. Thus, a distributors margin of Rs. 20 per quintal is envisaged for the FCI which will still remain short of FCI's existing expenses by Rs. 3 per quintal. The amount of subsidy to the FCI during 1972-73 was Rs. 117.23 crores while during 1973-74 it is estimated to be around Rs. 251 crores. They note that the high level Committee appointed to probe into the high overheads and incidentals of the FCI, will shortly finalise its recommendations. The Committee consider that if the present procurement and distribution policy in respect of foodgrains is not to remain a perennial burden on the public exchequer, the procurement incidentals and storage, movement and distribution costs of the FCI will have to be reduced to the minimum. The Committee, therefore, recommend that Government should have the report of the aforesaid Committee expedited and thereafter ensure that necessary action is taken without any further delay to reduce the overheads of the FCI to the barest minimum. Government should in particular ensure that the distribution costs of the FCI in the case of wheat remain within the ceiling of Rs. 20 per quintal envisaged in the procrement and pricing policy announced by Government for wheat for the 1974-75 season.
13	2.59	The Committee note that although the issue prices of foodgrains from the Central Pool are uniform, different retail prices have been fixed by different State Governments, depending upon their own storage, handling and transport overheads. The Committee recommend that Gov-

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		ernment may examine whether it is feasible to work out and introduce uniform retail prices of foodgrains distributed through the public distribution system all over the country as has been done in the case of levy sugar.
14	2.64	The Committee note the announcement made by the Minister of Agriculture in Lok Sabha on the 28th March, 1974 that the existing system of single State Zone is to be continued during the 1974-75 season. The objective of the policy should be, in the opinion of the Committee, to increase the availability of foodgrains in the open market at competitive prices, so as to reduce the burden on the public distribution system. They therefore recommend that the policy in this regard should be kept under constant review to see whether it really subserves the objective.
15	2.69	The Committee note that Assam is the only State which has taken over the wholesale trade in rice. Government should watch carefully the result of this take-over and its effect on the open market prices with particular reference to availability of rice to weaker sections of society. The Committee have no doubt that Government are examining in depth the problems involved in monopoly procurement by public agencies, movement, storage and distribution in the interest of effective implementation of the policy to make available essential foodgrains to weaker sections of society at reasonable prices.
16	2.75	The Committee observe from the data placed before them that the public distribution system has not been able to meet fully the demands of the States for food while the pressure on the system is increasing on account of non-availability of wheat in the open market at the prices fixed by Government and the high prices pre-

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		vailing in the open market in respect of rice and coarse grains. They also observe that the demands from the States for their public distribution system are being met from the Central Pool in an *ad hoc* manner. The criteria for allotment of foodgrains namely seasonal conditions, assessment of crops and prevailing market conditions etc. are such as to leave a very wide discretion in making allotment to individual States. While the Committee appreciate the inability of Government to meet the increasing demands of the States in full on account of the unsatisfactory stock position, they would recommend that, in order to avoid any criticism of the distribution of available stocks as between different States *inter se* being arbitrary, Government should evolve certain definite criteria for examining the demand from States and for making allotments, say, the assessed requirement of the State in terms of population covered by the public distribution system, production of foodgrains within the State, the stocks with the State Government and the Central Government stock position, the prices obtaining in the open market etc. The Committee would like Government to evolve these criteria in the light of experience gathered over the years and in consultation with State Government. A copy of these criteria should be laid on the Table of Houses of Parliament and widely publicised to obviate any misunderstanding and gain public support.
17	2.83	The Committee note that the quantum of foodgrains issued to the card-holders from fair price shops various from State to State and also between different areas in the same State, depending upon the availability of foodgrains in the market etc. They note that it is left to the State Governments to determine the quantum of issue depending upon local conditions. The Committee feel that since the foodgrains requirements of

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		State Governments are largely met from the Central Pool, it would be desirable if the quantities of foodgrains distributed through the public distribution system on ration cards, are uniform to the extent possible. The Committee recommend that Government should examine the feasibility of laying down certain basic guidelines in regard to the foodgrains to be issued per consumer unit as has been done in the case of sugar.
18	2.85	The Committee are informed that at the retail distribution level certain malpractices are taking place regarding the quality of foodgrains issued to card holders. The Committee would like Governments to ensure that their distribution agencies insist upon taking from the Food Corporation of India, foodgrains of "fair average quality" and promptly report to appropriate authorities if the supplies are of inferior quality. The inspection machinery should also be tightened to see that foodgrains are not adultrated in the course of distribution to the consumers. The Committee also recommend that provision may be made in the Essential Commodities Act for a severe punishment for adulteration of essential commodities including foodgrains in the course of their distribution. They would also like Central Government to take such other measures as may be required to prevent adulteration of foodgrains in the course of their distribution through the public distribution system and inform the Committee of the action taken by them in this regard in due course.
19	2.87	The prime need at the moment is to maximise food production so that the requirements of ever growing population could be adequately met. The Committee feel that having regard to the experience of Punjab, Haryana and Western U.P. it should be possible to increase food pro-

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		duction in other States also by concerted efforts which would make available in time certified seeds of high yielding varieties, requisite inputs like fertilisers, assured water supply to meet the crop requirements etc. The Committee would urge upon the authorities responsible for development of agriculture to study in detail the methods employed for achieving food production in the 'Wheat Belt of India' and help creat similar facilities in other States so that farmers could maximise food production in their own as well as in the larger interests of the country.
20	3.4	The Committee regret that a present no systematic method is being followed for assessing the requirements of sugar for the country and the reason given out to the Committee is, that hitherto Government had no opportunity to make any such assessment. The Committee recommend that a suitable method for assessing the requirements of sugar in the country, not only for consumption in the urban and rural areas but also for export, should be introduced so as to facilitate meaningful planning for waking the requisite quantity of sugar available to the consumers and also for exports.
21	3.13	The Committee are informed that no yearwise targets of capacity and production have been laid down by Government for the sugar industry but Government expect that the installed capacity may increase by 2 to 2.5 lakh tonnes annually. The Committee note from the data furnished in regard to the letters of intent and industrial licences pending implementation that licences issued as far back as 1956 are still in the process of implementation. The Committee are unable to understand why letters of intent and licences have been allowed to remain unimplemented for as long as 18 years and no

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		steps were taken to cancel them and issue fresh licences to new entrepreneurs who had the capacity and resources to implement them within the stipulated time. The Committee recommend that Government should review the licences and letters of intent pending implementation for a long time and take steps as necessary in the interest of early implementation of licenced capacities. The Committee also recommend that yearwise targets may be laid down, as is being done in the case of other industries, for licensed capacity, installed capacity and production and Government should ensure that these targets are actually fulfilled.
22	3.17	The Committee note that the actual producduction of sugar has been much less than the installed capacity during the years 1971-72 and 1972-73. They are informed that the utilisation of the installed capacity in sugar industry depends mainly upon the availability of sugarcane for crushing in sugar factories. The Committee would therefore like Government to take appropriate measures to ensure the supply of sugarcane to the factories in sufficient quantities so that the installed capacity for manufacture of sugar is fully utilised.
23	3.20	The Committee are glad to note that the production of sugar during 1973-74 is likely to be about 45 lakh tonnes against the demand of 43 lakh tonnes. If the expected production during the current year is realised, the Committee hope that Government will not only be able to make larger allotments of levy sugar to the States to meet the demand but would also take steps to build sufficient buffer stock for use in case of future emergencies. The Committee need hardly stress that in view of wide fluctuations in the production of sugar in the past Government should not lose the opportunity to

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		build a buffer stock of sugar to the extent possible during the current year.
24	3.26	The Committee note that Government have to export sugar at a loss because world production being more than the demand, the international prices are lower than the cost of production. While it may be necessary to export some sugar to earn foreign exchange in the context of increased pressure on the foreign exchange resources on account of the energy crisis, the Committee would like Government to determine the quantum of export in the light of the fact that sugar has to be exported at a loss when indigenous production is required not only to meet the domestic demand for this essential commodity but also to build adequate buffer stock.
25	3.30	The Committee note that at present there is no centrally sponsored scheme on sugarcane development in the country and that one such scheme is contemplated for the Fifth Plan period with a total allocation of Rs. 15 crores. The Committee trust that the scheme would be finalised without further delay and implemented in the field so that the production of sugarcane in the country during the Fifth Five Year Plan reaches the targets laid down for the plan period.
26	3.39	The Committee are informed that the levy sugar issued to the consumers through the public distribution system has to be supplemented by purchases from the open market. It is, therefore, necessary that the price of free-sale sugar is reasonable and within the paying capacity of common man. According to the present policy, however, Government have no control over the price of free sale sugar and in fact the burden of excise duty has fallen more on the free sale

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		sugar than on the levy sugar. The Committee recommend that Government should also keep a close watch over the prices of free sale sugar in the open market and if the prices show an abnormally high trend, effective measures should be taken immediately to keep the prices at a reasonable level.
27	3.54	The Committee are informed that the basic quotas of the States are based on the consumption pattern during 1967-68 and 1968-69 seasons. It is admitted that while fixing the basic quotas of States, larger per capita consumption in past years has been given weightage. The Committee feel that the consumption of sugar at a particular point of time depends upon a number of factors e.g. the purchasing power of the people, food habits, the degree of sophistication and the availability of alternative sweetening agents such as gur and khandasari. Besides, during the last 6-7 years there has been a rise in income levels and more urbanisation. The existing criteria for fixing State quotas have therefore become out-dated. The Committee are informed that representations for increasing monthly levy sugar quotas have been received by Government from time to time from certain States and Government have explained to them their inability to increase the supplies until availability of sugar is increased. The Committee recommend that Government may set up an Advisory Board consisting of representatives of the States for evolving a rational and scientific criterion for fixing the basic quota of levy sugar for each State which takes into account *inter alia* the population of the State, the rising incomes in rural areas, the pattern of current consumption etc.
28	3.55	The Committee note that there are wide differences in the per capita availability of levy

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		sugar as between different States ranging between 1 Kg. and 226 grams per month. The Committee are not convinced by the reasons advanced by Government for this wide disparity as sugar is now widely used in rural areas all over the country. They, therefore, recommend that these differences should be reduced to the minimum.
29	3.59	The Committee note that Government have themselves admitted that the distribution arrangement for sugar in rural areas are not adequate and that they have written to the State Governments to tighten the distribution machinery and see that no malpractices take place. The Committee would like Government to review the existing distribution arrangement for sugar in rural areas to ensure proper distribution. The Committee suggest that in small towns and rural areas where the system of issue of levy sugar on Ration Cards does not exist, it would go a long way in improving distribution if the District Magistrate is regularly informed of the despatches of levy sugar in his District and he in turn adequately publicises the same in the District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.
30	3.60	The Committee note that from the 1st January, 1973 the Food Corporation of India has been entrusted with the work of wholesale distribution of sugar in the country except in the case of some States which have been allowed to make their own arrangement for distribution through their public agencies or cooperatives. The Committee would like Government to review the arrangement after two years of its operation with a view to find out whether the existing arrangements are really serving the interests of

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		consumers. The Committee need hardly emphasise that strict control should be exercised on the overheads and administrative expenses of the Food Corporation of India on the distribution of sugar to ensure that these are kept to the minimum.
31	4.7	The Committee regret that Government have not so far evolved any systematic method of assessing realistically the demand for and the production of vegetable (edible) oils in the country and that the data which is being relied upon for planning availability of this commodity is "only rough approximations" largely based on assumptions. As the collection of the basic data regarding demand and production is a *sin-qua-non* for planning availability, the Committee recommend that Government should not neglect this pre-requisite for planning and urgently evolve suitable methodology for collection of demand and production statistics in respect of vegetable (edible) oils so that the availability of this essential commodity for various purposes could be effectively planned.
32	4.14	The Committee note that to augment production of vegetable (edible) oils seeds, Government propose to apply "intensive district approach" in the selected States/Districts. They also note that efforts are being made to increase the area under the cultivation of sun-flower and castor which are better suited to dryland agriculture. The Committee hope that these schemes would be implemented in the field effectively during the Fifth Plan period and every effort will be made to reach the target of additional anuual production of 21 lakh tonnes of oilseeds in the country by the end of the Fifth Plan period.
33	4.15	The Committee would also like to point out that the acreage under various crops at a given

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		time does not entirely depend upon natural factors. The farmers' choice of crop in uniform conditions, depends to a large extent upon his estimate of the prospective level of prices in respect of different agricultural commodities. Frequent shifts in the cropping pattern leading to uncertainties in production could therefore be avoided only if appropriate price differentials are maintained as between different crops. The Committee therefore suggest that the Agricultural Prices Commission should keep these considerations in view while recommending the prices in respect of different agricultural commodities so as to have the desired pattern of agricultural production.
34	4.28	The Committee observe that the Ministry of Agriculture have not laid down any targets for imports of vegetable (edible) oils for future years and are arranging imports on year-to-year basis entirely depending upon their own assessment of the likely indigenous production of vegetable (edible) oilseeds. They are surprised at the argument advanced by the Ministry that in view of the fact that the production of oil seeds depends upon weather conditions, any exercise aimed at formulating import targets for edible oils for future years "would be of purely academic nature and would have little more than an illusory significance." The Committee are constrained to observe that it is precisely on account of this lack of advance planning for imports that common man has to suffer the shortage of this essential ccmmodity, which is the basic medium for his cooking, either raw or processed in the shape of vanaspati, ever since 1972-73. The Ministry failed to arrange adequate and timely imports of edible oils during 1972-73 even though by their own estimates imports of this essential commodity were necessary for a few more years at the level of 50,000

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		to 1,00,000 tonnes per year, assuming that all the years have good monsoons. In order to cover this lapse on their part, different officials of the Ministry who appeared before the Committee for evidence gave different justifications for not taking advance action for imports such as existence of adequate spillover stocks of previous year, avoiding over stocking, paucity of foreign exchange, other priorities for imports etc. The Committee particularly regret the suggestion from the representative of the Ministry of Agriculture during evidence that we have to learn to live with these shortages and that there was nothing that the Ministry could do about it. The Committee have, a feeling that conditions fully justified advance action being taken for import of this commodity at short notice. The Ministry of Agriculture, however, started moving in the matter only after they became aware of the likely shortfall in production on account of failure of monsoon in July-August, 1972. This caused avoidable delay in import resulting in distress caused by shortages at home and at the same time payment of higher prices for imports as in the meantime, prices in international market had risen. The Committee would like the Ministry of Agriculture to learn a lesson from the experience of 1972-73 and in future initiate prepratory action for import of this commodity, well ahead of the season so that in case of failure of monsoons or other developments likely to cause a shortfall in the production of oilseeds, timely imports could be arranged to tide over the situation.
85	4.29	The Committee note that while Government recognise the need for building up buffer stock of vegetable (edible) oil/oilseeds, the impediments cited are lack of surplus indigenous production over a period of time, current high prices in international market, the absence of institu-

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		tional set up for handling the same, large carrying costs involved, existence of large surplus capacity for production of vanaspati, and the likely deterioration of quality during storage. The Committee are unable to appreciate why creation of buffer stock of at least vegetable (edible) oilseeds should be an "unpracticable proposition" when the maintenance of buffer stock in respect of foodgrains is an accepted policy of Government. The Committee regret that the Ministry of Agriculture did not think of building up of buffer stock of this essential commodity earlier. They recommend that, keeping in view the largely rain-fed nature of the main edible oilseed crops and the uncertainty of monsoons, necessary steps should be taken urgently to facilitate the building up of buffer stock of this commodity, either out of surplus indigenous production or imports, for regulating free market operations in this essential commodity as well as for use in scarcity conditions.
36	4.32	The Committee are surprised that the Ministry of Agriculture are unable to work out the demand for vegetable (edible) oils for the vanaspati industry. The Ministry are aware of the installed capacity of the various units engaged in the manufacture of vanaspati and it should not have been difficult for them to compile the overall demand of edible oils for the industry. In the absence of these figures, the Committee have a feeling that Government are not approaching the problem of raw material supplies for vanaspati industry in a systematic manner. The Committee recommend that Government should collect the figures for demand of edible oils for the vanaspati industry for the purpose of effective planning of availability of the raw material for the industry.
37	4.41	The production of vanaspati during 1972-73 was 5.80 lakh tonnes against the demand of 6.25

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		lakh tonnes. The likely production during the current year (1973-74) is 4.65 lakh tonnes against the estimated demand of 6.50 lakh tonnes. The main reason indicated for the low production during 1972-73 and the current year is non-availability of edible oils except at exorbitantly high price on account of shortfall in groundnut production during 1972-73. An additional reason for the low production during 1972-73 was the prolonged power cuts imposed by various States. In this situation, the Ministry of Agriculture maintain that there is little that Government could do for relieving the situation beyond taking steps to ensure the best possible distribution of the reduced supplies available during the year. The Committee however feel that, as pointed out by them in an earlier paragraph, much of the distress caused on account of shortfall in production of edible oilseeds during 1972-73 and 1973-74 could have been relieved, had the Government arranged imports of edible oils/oilseeds in time.
38	4.45	The Committee observe that, although the availability of edible oils in the market ultimately depends upon the production of oilseeds in the country, in their day-to-day procurement transactions the vanaspati industry is entirely at the mercy of the trade in edible oils. The Committee, therefore, recommend that Government should take suitable measures for eliminating undesirable trade practices such as speculative forward trading in oils etc. which distort the availability and price situation in the market.
39	4.48	The Committee recommend that Government may examine whether the existing constraints on the use of edible oils for manufacture of vanaspati could be applied on the basis of an average for any period longer than two months without appreciable adverse implications to the consumers of edible oils.

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40	4.53	The Committee appreciate the difficulties involved in regulating the price or movement of edible oils because of the dispersed nature of the industry. At the same time, an assured flow of supplies at a stable price level to the vanaspati factories is necessary for meeting the vanaspati needs of the common people particularly in the northern region. The Committee therefore recommend that besides making available part of their requirements out of imports, Government should examine as to how they could assist the vanaspati industry in procuring from the local market their requirements of edible oils on assured basis and at a price which may be stable over a period.
41	4.59	Government have admitted that occasions arise when some delay occurs in the receipt of imported edible oils by the vanaspati factories thereby making the announced prices of vanaspati unrealistic and resulting in loss to the factories which, the industry maintain, is one of the causes for shortfall in production. The Committee are unable to appreciate the argument that the delayed supplies of imported edible oils in fact confer upon the factories an advantage as the prices of indigenous oils are constantly rising. The Committee recommend that Government should ensure that imported edible oils are made available to the factories to the full extent of usage prescribed in the pricing formula announced by Government themselves, so that the industry is not to face the predicament of selling their finished product at prices below the cost of the raw-material.
42	4.60	The Committee also recommend that Government may review the existing method of pricing of vanaspati as it causes undue pressure on imported edible oils, supplies of which are uncertain, and also makes for fixing the prices

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		of vanaspati quite unrelated to the prevailing prices of edible oils out of which it is manufactured.
43	4.62	The Committee would like Government to once again impress upon the State Governments the need for proper distribution of vanaspati, preferably through fair price shops on Ration Cards, by taking advantage of the offer of the industry to make available to State Governments the entire production for distribution through public agencies.
44	4.63	The Committee suggest that in small towns and rural areas where the distribution of vanaspati is entirely in private hands, it would go a long way in improving distribution if the District Magistrate is regularly informed of the despatches of vanaspati to dealers in his District and he in turn adequately publicises the same in his District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.
45	4.64	The Committee understand that the pressure on vanaspati seems to stem from two factors namely, competitive prices as the prices of vanaspati contain an element of subsidy represented by imports of edible oils at cheaper rates, and the consumers preference for hydrogenated oil. The first factor can be taken care of by maintaining reasonable parity between the prices of vanaspati and those of edible oils. As for the second factor, it may be possible to meet it to some extent by publicising widely that the traditional use of raw edible oil as a cooking medium has its own value and in fact the use of unsaturated oils is in the better interest of public health. This two-fold approach

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		may well make for relieving the undue pressure on vanaspati which is leading to scarcity conditions in urban and metropolitan areas.
46	5.9	The Committee are informed that the steps taken by Government to provide drugs and medicines to the common man at reasonable prices consist of a substantial expansion of the share of the public sector in the drug industry and a progressive increase in the number of items for which imports are canalised through public institutions. The Committee need hardly emphasise that the real test whether the steps taken by Government actually subserve the objective, would lie in a substantial reduction in the prices of canalised imported drugs and intermediates and of the drugs produced in the public sector. The Committee would therefore like Government to keep a watch on the price trend in respect of such drugs and bring about such changes in the policy of the Government as may be called for in the light of experience.
47	5.10	At the same time the Committee would like to point out that it is common knowledge that the foreign companies, who are manufacturing and selling drugs formulations under brand names, are charging exhorbitant prices for their products quite unrelated to their cost of production and are repatriating these profits to their principals abroad at a scale far out of proportion to their investment. The Committee recommend that Government should keep in view the role of these foreign drug companies and take such control measures as may be necessary to prevent them from exploiting the ailing public.
48	5.15	The Committee regret that the avowed objective of import canalisation of drugs is to make them available to the formulators and consumers at a cheaper price, Government find

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		it "extremely difficult" to assess as to how far this objective has been achieved after canalisation. They note that Indian Drugs and Pharmaceutical Limited are distributing the canalised imported drugs, which are also produced by them, at "pooled" prices, after taking into account the cost of production of their own product. This system has led to, at least in the case of one imported item, a very wide gap between the landed price and the price at which it is actually distributed. Under this system the higher cost of indigenous production are offset by lower imported costs at the expense of the consumer and therefore there is hardly any incentive for the IDPL to effect economy in the cost of their production. The Committee, therefore recommend that every effort should be made by IDPL to reduce their cost of production so as to bring it at par with the cost of imported drugs, if not lower.
49	5.21	The Committee recommend that Government should take an early decision on the Report of the Working Group appointed to examine and suggest fair selling prices for certain bulk drugs. They would further like Government to keep a close watch on the prices of drugs so as to ensure their availability to the consumers at the prices fixed.
50	5.23	The Committee would like the Ministry of Health to finalise early their views regarding cheapest acceptable packing for drugs and formulations so as to cut down costs and bring the prices of drugs and formulations to the minimum.
51	5.27	Government admit that varying rates of local taxes in the States or multi-point taxes in the same State make for scarcity of drugs, particularly life saving drugs, in the rural and remote

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		areas of the country. While the Committee appreciate that the levying of local taxes including sales tax is a subject concerning the State Government, the Central Government could examine the problem in all its ramifications and tender suitable advice to the State Governments with a view to increase the availability of atleast life saving drugs in the rural and remote areas of the country.
52	5.35	The Committee need hardly emphasise the importance of quality control on imported as well as indigenously manufactured drugs. While the quality control on imported drugs is the responsibility of the Central Government, the quality control on indigenously manufactured drugs is the responsibility of the State Governments. As all the State Governments do not have an adequate drug control machinery, the Central Government have launched various schemes for assisting the State Governments in evolving suitable machinery for the purpose. The Committee hope that the Central Government would implement the proposed measures vigorously so as to enable proper quality control being exercised by the State Governments on the indigenously manufactured drugs which is vital for the health and well-being of the people.
53	5.36	The Committee feel that the IDPL, which is already playing a dominant role in the manufacture of basic drugs, should also take upon itself the responsibility for standardising the drug formulations. The standards evolved should thereafter the statutorily enforced upon the manufacturers.
54	5.37	The Committee would like Government to ensure that swift and deterrant punishment is meted out to manufacturers and dealers in spurious and sub-standard drugs.

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55	5.50	The Committe recommend that Government sohld make an all out effort for increasing the availability of softcoke as an alternative to kerosene for cooking purposes. Increased efforts are also necessary for the maximum utilisation of the associated refinery gas as well as natural gas and for development of other non-conventional fuels so that the pressure on kerosene is relieved. The Committee would like to be informed of concrete action taken by Government in this regard.
56	5.56	The Committee welcome the efforts being made for increasing the stock level of kerosene at consuming centres, cutting down delays enroute, opening of retail outlet pumps for distribution and the poposal to colour kerosene with a view to prevent its misuse. The Committee would, however, like to point out that the existing system of distribution of kerosene in the rural and remote areas is most inadequate and this commodity, if at all available, sells at a price much above the retail price fixed by Government. The Committee recommend that Government may work out a model system of distribution of kerosene, particularly in the rural and remote areas of the country, and commend it to the State Governments for adaptation to suit local conditions.
57	5.57	The Committee suggest that it would go a long way in improving distribution of kerosene to the small towns and rural areas if the District Magistrate is regularly informed of the despatches of kerosene to dealers in his District, and he in retrn adequately publicises the same in his District through local papeprs, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.

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58	6.22	The country is facing an acute scarcity of writing and printing paper with the result that there has been a perceptible rise in the prices of text books, exercise books and other educational aids using paper. They are of the firm opinion that the paper crisis which surfaced during 1973-74 could have been avoided by proper planning of installed capacity to meet the demand and fuller utilisation of the existing installed capacity. The Committee recommend that Government should set before them realistic year-wise targets of installed capacity in the industry and make every effort to achieve them. In this context, they would also like to emphasise that the prime object before the Government should be to build up industrial capacity in the paper industry at the earliest so as to increase its availability and relieve pressure on foreign exchange needed for its import to meet the demand. Government should therefore make concerted efforts to remove all impediments coming in the way of speedy implementation of licensed/approved capacity.
59	6.23	The Committee regret that the programme for production of paper in the public sector, for which the Ministry of Industrial Development are directly responsible, did not materialise as per schedule to meet the rising demand of paper. The Committee would like to associate themselves with the recommendation contained in paragraph 1.25 of the Twenty-seventh Report of the Committee on Public Undertakings (5th Lok Sabha) on NEPA Mills and paragraph 1.3 of their Forty-fifth Report on Action taken thereon, in stressing that the Hindustan Paper Corporation, a public sector undertaking, should take a lead in developing the manufacture of paper and supplying it at most competitive prices to meet the ever growing requirements of the public.

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60	6.24	The Committee would like to point out that the diversion of production from cultural to industrial paper could not have been sudden and the current shortage of cultural paper could have been avoided if Government had kept the production pattern of the mills under constant watch and taken action to arrest the tendency at the early stages. The Committee therefore urge Government to keep a continuous watch on the production and availability of writing and printing paper so as to ensure that there is no shortage of these kinds of paper to meet the requirements of students for text-books and exercise books which should be made available to them at fair prices.
61	6.26	The Committee note from the Twenty-seventh Report of the Committee on Public Undertakings (5th Lok Sabha) on NEPA Mills that the expansion of capacity of NEPA Mills from 30,000 tonnes to 75000 tonnes of Newsprint would be completed by 1974, that the Hindustan Paper Corporation's 70,000 tonne capacity Newsprint project in Kerala would be completed by 1976 and that there were three other projects in the private sector. The Committee would take this opportunity to reiterate the recommendations made by the Committee on Public Undertaking in paragraph 1.20 of their aforesaid report and paragraph 1·3 of their Forty-fifth Report on Action taken therton, and stress that serious effort should be made to commission the additional capacities for production of Newsprint in the public sector according to the time schedule laid down and Government should keep a careful watch on the progress of the private sector projects so as to achieve self-reliance in respect of Newsprint at the earliest.
62	6.31	The Committee do not agree with the view expressed before them that the country's natu-

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		ral forest resources have been fully committed for the paper industry. The Committee would like Government to make a survey of the forest wealth of the country with a view to locate packets where raw material for making paper pulp still lies untapped and to harness the same for the industry so as to meet growing requirements of paper in the country.
63	6.34	The Committee need hardly emphasise the importance of coordinated research and development work on Paper and Pulp Industry. The Committee note that the Government are thinking of setting up a Research and Development Board on Paper and Pulp Industry for coordinating and formulating general policy on research and development. They recommend that no time should be lost in setting up such a coordinating body so that an integrated and result-oriented research programme may be launched in the field of paper and pulp industry at the earliest.
64	6.36	The Committee recommend that Government may seriously examine the prospects of setting up mother paper pulp mills in areas where there is a concentration of small scale paper manufacturers to meet the requirements of such units.
65	6.39	The Committee note that Government have been able to get a commitment from the paper manufacturers for making available a limited quantity of writing and printing paper at a reduced price for the use of Government and for educational purposes. The Committee would like Government to keep the situation under constant watch so as to ensure that the commitment made by the industry is actually fulfilled. The Committee also recommend that if at any stage, this informal arrangement with the Industry does not work satisfactorily Government

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		should not hesitate to re-impose price control on writing and printing paper so as to make it available for educational purposes at a reasonable price.
66	6.41	The Committee note that a special committee is at present engaged in evolving a code of conduct for the paper industry and trade to the present malpractices in the distribution of paper. It would also take suitable measures to ensure implementation thereof. The Committee would like Government to publish the "code of conduct" for general information, try the new system for some time and thereafter review the position in the light of experience in order to ensure that it subserves the objective underlying it.
67	6.42	The Committee would like Government to examine whether there can be a working arrangement whereby the wholesale & retail prices for major varieties of paper which are used by public are widely publicised. In fact the Committee would like it to be made obligatory on paper stockists and retailers to display prominently the stock position of various varieties of paper and the fair prices fixed therefor. The Committee are convinced that unless there is effective participation of public, informal control would not achieve the objective of making available paper at fair price to the genuine users.
68	6.50	The Committee note that to make available popular varieties of cloth required for mass consumption at reasonable prices, Government introduced statutory control on the production and prices of mill-made dhotis, sarees, long-cloth, drill and shirting cloth in 1964. The production covered under this arrangement was about 50 per cent of total production of mill cloth and the obligations of individual mills were fixed under statutory orders. With effect from 1st

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		January 1967, this statutory obligation upon the mills was reduced from 50 per cent to 40 per cent. This scheme was further modified in May, 1968. Control was continued only in respect of coarse and lower medium categories of above varieties of cloth which accounted for about 25 per cent of total production of mill cloth. The quantum of production of such cloth by each mill was fixed under a statutory order but a scheme of collection of compensation at the rate of 6 paise per sq. meter from mills towards short-fall in production of controlled cloth, was introduced. As no increase in price of controlled cloth was allowed after May, 1968, the production of controlled cloth fell from about 200 million sq. meters in November, 1968|January, 1969 quarter to about 9 million sq. meters in February|April, 1971 quarter. In 1971, Government accepted the industry's offer to produce 100 million sq. meters of controlled cloth every quarter on a voluntary basis *w.e.f.* 1st June, 1971. Until April, 1974, the mills were required to produce controlled cloth to the extent of 12 per cent of their production or 3.44 sq. meters per loom shift of 8-hours worked and the penalty for non-fulfilment of the obligation was Re. 1/- per sq. meter. With effect from 1st April, 1974, the quantum of production of controlled cloth has been doubled from 100 million sq. metres to 200 million sq. meters per quarter and the penalty for non-fulfilment of obligation by the mills has been increased to Rs. 2.50 per sq. meter. Under the revised scheme, the varieties of controlled cloth have been increased to include medium 'A' category of cloth also and the prices of cloth have been increased by 30 per cent over the May, 1968 prices. It would be evident from the above that there has been no firm policy about the production of controlled cloth by the mills. While in 1964 the statutory obligation upon mills for the production of controlled cloth was about 50 per cent of

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		the total production of the mills, this was reduced to 40 per cent in 1967 and then to 25 per cent in May, 1968. Further, the 1968 scheme allowed the mills to opt out of the scheme by paying a nominal amount of 6 paise per sq. meter as penalty. The result was that production of controlled cloth fell drastically from 200 million sq. meters to 9 million sq. meters per quarter. Although in June, 1971, the industry agreed to produce 100 million sq. meters of controlled cloth every 'quarter' actual production has always fallen short of the agreed quantum except in the first year *i.e.* June, 1971 to May, 1972. Moreover, the controlled cloth to be produced under this voluntary offer was less than 10 per cent of the total production of cloth by the mills as compared to 25 per cent under 1968 Scheme, 40 per cent under the 1967 Scheme and 50 per cent under the earlier 1964 Scheme. The Committee are unable to understand why Government acquiesced in production of lesser quantity of controlled cloth by the Mills, and did not pursue a firm policy to make adequate quantity of popular varieties of controlled cloth available to the people. It has been argued that it was not possible to meet the entire requirements of the weaker sections of society out of the controlled cloth as the production of this cloth results in heavy loss to the industry. The Committee feel that with the 30 per cent increase in price of controlled cloth now allowed to the mills under the new policy, this argument is no longer tenable. A more systematic approach to the problem would, in the opinion of the Committee, be to determine the minimum annual requirement of controlled cloth on the basis of a minimum *per capita* annual requirement of 12 sq. meters and the size of the population which has to be catered for particularly the weaker and vulnerable sections of society. The Committee

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		urge that Government may urgently assess the requirement of controlled cloth as aforesaid and take suitable measures to further increase the production of controlled cloth to meet these requirements.
69	6.51	*The Committee also consider that the obligations of individual mills for the production of controlled cloth should be fixed under statutory orders so that there is no shortfall in production.
70	6.54	The Committee recommend that Government should review the question of enjoining in a suitable form the controlled cloth obligation upon the big powerloom units also so that controlled cloth is available in larger quantities to meet the requirements of the public.
71	6.56	†The Committee would like Government to ensure that the controlled cloth produced by the Mills is of the required variety, fast colour and standard width so as to meet the actual needs of people. They recommend that Government should also tighten their inspection machinery so as to ensure that the mills actually produce such cloth to meet their controlled cloth obligation.
72	6.64	It is admitted that the existing channels of distribution of controlled cloth namely mills' retail shops, cooperatives, Super Bazars and fair price shops etc. do not have adequate retail outlets to replace the traditional channels and reach the cloth to the weaker sections of society both

*At the factual verification stage, Government have stated that new policy enforced from 1.4.1974 provides for compulsory statutory production of a minimum of 24% of the total production of a mill in the form of controlled cloth.

†At the factual verification stage, Government have stated that the revised policy effective from 1.4.1974 provides for control on varietywise production of controlled Cloth.

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		in the urban and in the rural areas. It is also admitted that at present Central Government have no machinery to keep a check on the distribution machinery to ensure that the controlled cloth actually reaches the sections of society for which it is meant. The Committee have a doubt whether even the limited quantity of controlled cloth produced at present, is really distributed to the consumers at the controlled rates through the existing distribution channels. During their tours, the Committee received general complaints about the non-availability of the controlled cloth both in urban as well as in rural areas. The Committee feel that at present a large quantity of controlled cloth gets diverted to unauthorised channels. The Committee would suggest that Government should have an independent investigation made by one of their own economic intelligence agencies as to who are the actual beneficiaries of the controlled cloth scheme and in the light of the facts gathered review the existing channels of distribution.
73	6.65	The Committee are afraid that if controlled cloth is not lifted from the mills on a timely basis for whatever reasons, it is bound to lead to malpractices. In fact the Committee have received reports that in many cases the cloth is deliberately not lifted timely by collusion between interested parties to the detriment of the needy consumers. The Committee recommend that Government should investigate in each case where the cloth has not been lifted in time by its nominees, be they Cooperatives or others, whether the reasons therefor are genuine. They would further like Government to consider this matter in depth and devise measures so as to plug this loophole for malpractice in the distribution of controlled cloth.
74	6.66	The Committee feel that the malpractices in the distribution of controlled cloth would be

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		minimised if it is sold through fair price and authorised shops on ration cards. In metropolitan and industrial towns, the controlled cloth should be made available through fair price and authorised shops situated in areas where there is large concentration of workers and others belonging to low income group and in Jhuggi Jhonpri areas. People should be made aware of the existence of these shops by public announcements published in popular information media. The stocks received by these shops should also be similarly publicised. In small towns and rural areas, it would go a long way in improving distribution if the District Magistrate is regularly informed of the despatches of controlled cloth in his District and he in turn adequately publicises the same in his District through local papers, public announcements and other appropriate media. The District Magistrate could also elicit the active cooperation of the local population in ensuring fair distribution of the commodity.
75	6.67	The Committee also recommend that Government should lay on the table of Lok Sabha every six months a statement showing the production of various categories of controlled cloth by the mills and its State-wise distribution.
76	7.5	The Committee appreciate that the power supply to industries had to be cut in different States for reasons behind the control of the respective State Electricity Boards. They, however, feel that the aluminium industry, which is of vital importance for defence, tele-communication, power transmission etc., should have received special consideration in the matter of availability of power. The Committee consider that as the Ministry of Mines and Metals are primarily concerned with the production of aluminium in the country, it is their responsibility

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		to assist the primary producers of this commodity in overcoming the problems which are vitiating production. The Committee, therefore, recommend that the Ministry of Mines and Metals should vigorously take up with the State Governments concerned the question of providing adequate power to the various units so as to enable them to utilise the installed and licensed capacity to the optimum extent.
77	7.10	The Committee recommend that as aluminium utensils are generally used by weaker sections of society, the Ministry of Mines and Metals should have the requirements of the utensil industry which consumes commercial grade aluminium, surveyed with a view to provide adequate raw material to this industry.
78	7.21	The Committee are concerned to note that the production of soda ash which is a vital industrial raw material has declined while its demand has increased. It is admitted that one of the reasons for the shortage of this commodity is that the installed capacity has not kept pace with the rising demand from the consumer industries. The Committee observe that the production capacity for this industry is not coming up on account of the delay on the part of the Government in taking a decision in regard to feed-stock for the industry. The Committee would like Government to take early decision in this respect so that the additional capacity licensed and approved for this industry actually materialises and the demand of the consumer industries is met in full.
79	8.9	The Committee find that as many as 20 commodities are under the special watch of the Civil Supplies Organisation. The Committee feel that some of these commodities *e.g.* electric lapms, hurricane lanterns, footwear, household utensils, etc., need not engage the attention of the Civil Sup-

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		plies Organisation as the supply position in these cases is easy. The Committee recommend that there should be a system of periodical review of the items for special watch by the Civil Supplies Organisation with a view to confine the special attention of that Organisation to only such commodities of mass consumption the availability position in respect of which, is not comfortable.
80	8.20	The Committee appreciate the objective with which the Civil Supplies Organisation was set up in order to provide timely intelligence to the highest authorities in Government in the matter of demand and availability of essential commodities of every day use to the public. They note that it serves as a nodal organisation which keeps a constant watch on the availability and price trends of various essential commodities and informs the concerned agencies for taking remedial action to deal with shortages. While the Committee do not want to minimise the service rendered by this organisation in times of real stress and strain and in effecting coordination between different departments they feel that it has not put its experience to full use in refining its forecasting ability or in projecting in a meaningful manner the areas of likely shortages and strains so as to facilitate action at the highest level. A plea has been put forward before the Committee that there are constraints of funds and man-power which come in the way of the Civil Supplies Organisation discharging its duties and responsibilities in a meaningful manner. The Committee feel that the role and objectives of Civil Supplies Organisation should be precisely defined by Government and they should be given expert corps of staff well-versed in economics with practical field experience so as to assess and forecast in a realistic manner the requirements, the likely availability, the stresses and strains developing in the system and present a plan for action so as to facilitate decision making at the

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		highest level. The Committee would like to be informed of the action taken by Government to streamline and reorient the Civil Supplies Organisation to discharge effectively its duties and responsibilities.
81	8.27	The Committee feel that the active involvement of public in the enforcement of various civil supplies control measures at all levels—village, tehsil/taluk, district—would be of immense help to the existing organisation evolved by the State Governments for the purpose. The Committee, therefore, suggest that a special study may be made by the Civil Supplies Organisation as to the manner in which effective public cooperation could be mobilised for the assistance of the executive machinery for the enforcement of the various civil supplies control measures in the States. The conclusions arrived at after such study may be commended to the State Governments for adaptation.
82	8.30	The Committee would suggest that the Civil Supplies Organisation should make a comparative study of the Civil Supplies Organisations and control machinery evolved by the different States, analyse and evaluate the same, and make the results of their study available to all the States for their benefit.
83	8.32	The Committee would suggest that the Civil Supplies Organisation should make a comparative and critical study, commodity-wise, of the different control orders issued by the various States. The result of the study made should be circulated to the State Governments to enable them to take corrective measures wherever necessary.

APPENDIX III

Analysis of recommendations contained in the Report

I. Classification of Recommendations:

A. *Recommendations for effecting economy*

S. Nos. 12, 30, 48.

B. *Recommendations for improving the organisation and working*

S. Nos. 2, 3, 4, 5, 6, 8, 20, 21, 29, 31, 34, 36, 37, 43, 44, 52, 53, 56, 57, 58, 62, 63, 74, 78, 79, 80, 81, 82, 83.

C. *Miscellaneous recommendations*

S. Nos. 1, 7, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19, 22, 23, 24, 25, 26, 27, 28, 32, 33, 35, 38, 39, 40, 41, 42, 45, 46, 47, 49, 50, 51, 54, 55, 59, 60, 61, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 75, 76, 77.

II. Analysis of more important Recommendations directed towards economy:

S. No.	S. No. as per summary of recommendations (Appendix II)	Remarks
1	12	Government should ensure that the distribution costs of the Food Corporation of India in the case of wheat remain within the ceiling of Rs. 20 per quintal envisaged in the procurement and pricing policy announced by Government for wheat for the 1974-75 season.
2	30	Strict control should be exercised on the overheads and adminisrrative expenses of the Food Corporation of India on the distribution of sugar to ensure that these are kept to the minimum.
3	48	Indian Drugs and Pharmaceuticals Ltd. should make every effort to reduce their cost of production so as to bring at par with the cost of imported drugs, if not lower.

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